Mizzen Mezzco Limited

Annual Report and Financial Statements Year ended 31 December 2016

Company Number: 08179245

Contents

Financial Highlights 4-5

A. Strategic Report 7-33

B. Governance 35-61

C. Financial Statements 62-110

D. Other Information 111-113

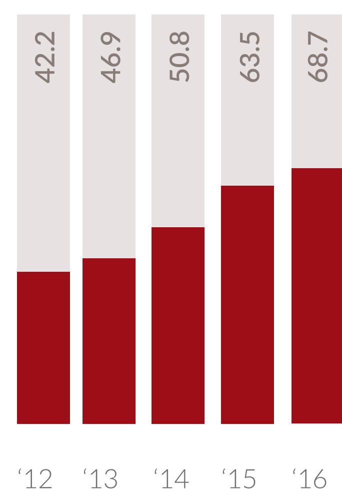
E. Notes 114-115

"Premium Credit Limited ("PCL"), the Group's operating subsidiary, has been trading since 1988."

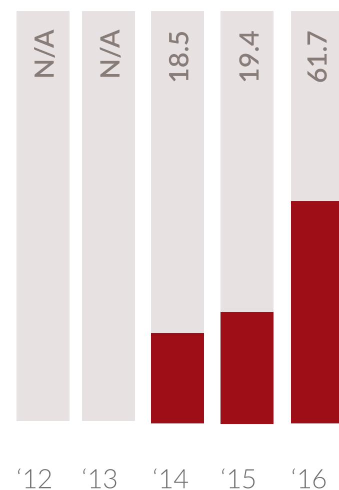
Financial Highlights

The Group has made good progress during the year. We advanced £3,551 million to customers during 2016, an increase of 3.7% on 2015; and net interest income increased by 10.9% to £99.7 million. Operating profit before taxation improved £42.3 million to £61.7 million, driven by higher net interest income combined with lower administration costs. Adjusted Post-Securitisation EBITDA[3,7] improved by 8.2% to £68.7 million. Credit quality remains good with the loan loss ratio stable at 0.14% (2015: 0.14%) of net advances. The financial performance of the Group is discussed in more detail on page 22.

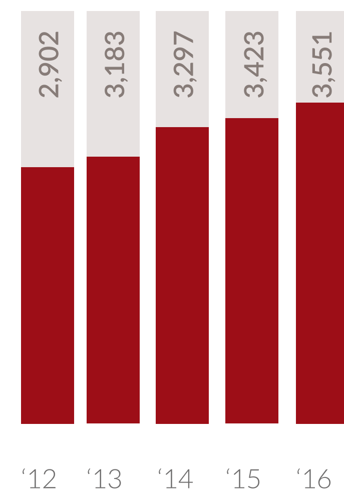
Adjusted Post-Securitisation EBITDA[1,3,7] (£m)



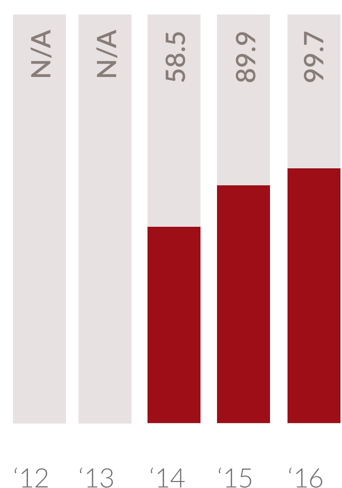
Operating Profit Before Taxation[2] (£m)



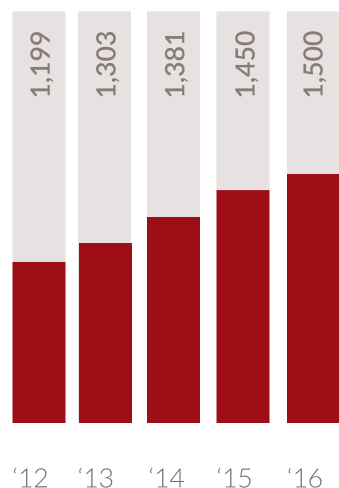
Net Advances[1,4] (£m)



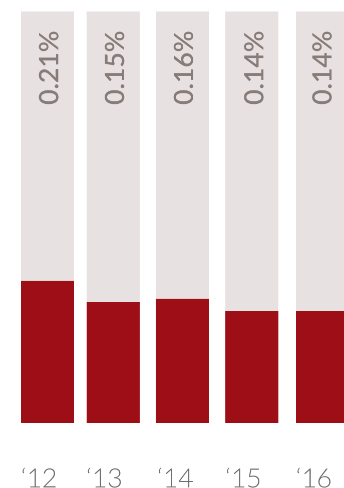
Net Interest Income[2] (£m)



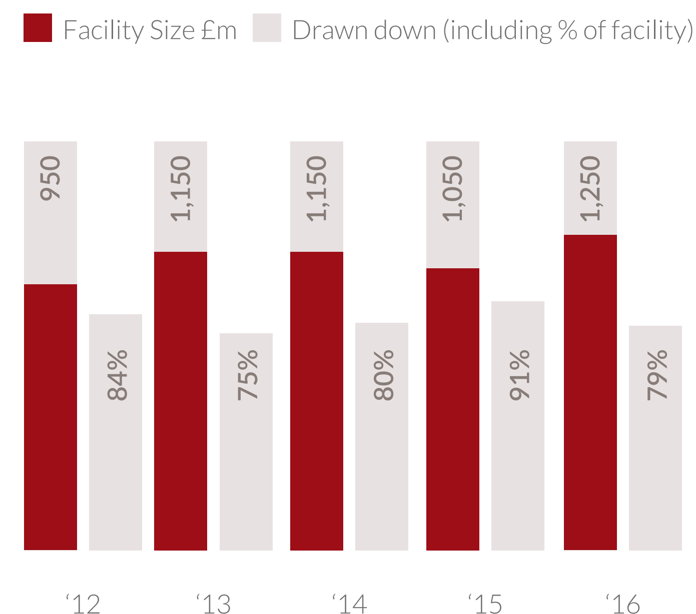
Net Loans and Advances to Customers[1] (£m)



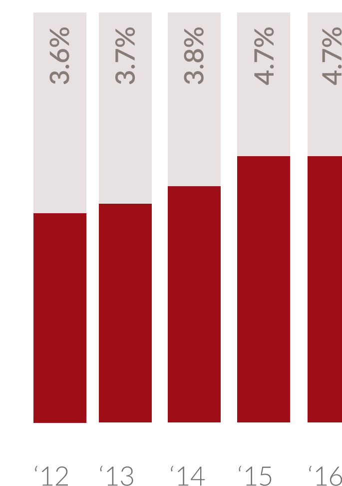
Credit Quality: loan loss ratio[5] (%)



Secularisation Facility[1] (£m)



Return on Assets[1,6] (%)



1. Mizzen Mezzco Limited was incorporated on 14 August 2012 and prepared its first set of financial statements for the 17 months ended 31 December 2013. To provide meaningful comparatives, the annual results for 2012 and 2013 are taken from Premium Credit Limited, the only trading subsidiary.

2. Mizzen Mezzco Limited was incorporated on 14 August 2012 and prepared its first set of financial statements for the 17 months ended 31 December 2013. Meaningful comparatives are not available for 2012 and 2013.

3. Adjusted Post-Securitisation EBITDA is a profit measurement that excludes certain non-cash items, certain one-off expenses, tax and interest other than securitisation interest costs. A detailed description and a reconciliation to operating profit before taxation is shown on page 26. Pro forma adjustments have been made to 2012, 2013 and 2014 for comparability purposes.

4. Net advances measures the total value of loans processed, net of cancellations and mid- term adjustments.

5. Loan loss ratio is calculated by dividing the amounts written off in the year as uncollectible divided by the net advances in the year.

6. Return on assets is calculated as Adjusted Post-Securitisation EBITDA divided by average net loans and advances to customers in the year.

7. Due to a misclassification of an IFRS restatement in 2015 of One time IT and other expenses, 2015 Adjusted Post-Securitisation EBITDA has decreased £3.1 million from previously reported £66.6 million to £63.5 million. This has no impact upon Profit before Taxation or Net Assets.

A. Strategic Report

A1.	Chief Executive's Statement	8-9
A2.	Purpose, Vision And Values	10-11
A3.	Business Model	12-13
A4.	Strategy	14-17
A5.	Principal Risks And Uncertainties	18-19
A6.	Key Perfomance Indicators	20-21
A7.	Business Review	
A7. 1	Financial Review and KPI's	22-23
A7. 2	Non Financial KPI's	24
A7. 3	EBITDA	26
A8.	Sustainability Report	
A8. 1	Employees	29-30
A8. 2	Environment	31
A8. 3	Corporate social responsibility	31
A9.	Approval of Strategic Report	32

A1. Chief Executive's Statement

Thomas Woolgrove
Chief Executive Officer

Since the Global financial crisis of 2008, many financial service businesses have been preoccupied with short term issues and challenges. It is easy to get blown off course in the face of these problems and it has never been more important to have a clear and well executed strategy. The Group has performed strongly since 2008, with consistent growth in Net Advances and Earnings, whilst also maintaining the credit quality of our book.

2016 has been no different. We have built on our consistent financial performance and have maintained our position as the market leader for insurance premium finance in the UK and Ireland. As many businesses struggle to adapt in a rapidly changing environment, our strategy is producing consistent results which allows us to invest for future long-term growth. This year, our Adjusted Post-Securitisation EBITDA[1] was up by £5.2 million on 2015 at £68.7 million.

2016 has been a year of continued change both in the markets where we operate and the political landscape. However, our commitment to sustained business growth, value creation and innovation for the future remains unchanged.

Leadership

In January 2016, I was appointed as the Chief Executive. It is clear we are in a strong financial position and are a market leader, but there is absolutely no room for complacency. We will continue to focus on growth by being the trusted payments and finance provider in all of our chosen markets.

During the year, we have made two important appointments to the Board and Executive Committee.

In January, we welcomed David Young as an independent non-executive director. With a background in investment banking David brings a wealth of experience in insurance, together with expertise in wider corporate governance, regulatory compliance and risk management, all within environments regulated and directly supervised by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

In September, we appointed Mark Dearnley as Chief Information Officer to replace Gopi Chelliah, who left the business in December 2016 to pursue business interests elsewhere. We wish him well and thank him for his contribution in developing the business and systems during his term in office. Mark joins from HM Revenue and Customs, where he was Chief Digital and Information Officer, and he also brings extensive experience from his previous leadership roles at Vodafone, Cable and Wireless and Boots.com.

We recognise the importance of IT in our chosen markets and IT innovation will be one of our key differentiators. Mark will continue to implement and direct our Digital strategy, improving our capability and IT infrastructure, and continuing to improve our broker integration and customer journeys.

In January 2017, we announced that Robert Allan, Chief Financial Officer of Premium Credit, will be leaving the business in April 2017. We would like to thank Rob for his significant contribution and many years of loyal service to Premium Credit. Nayan Kisnadwala will remain as Group Chief Financial Officer.

Market

The premium finance market is evolving at a rapid pace, which presents new opportunities for those able to adapt. We continue to see consolidation amongst insurance brokers, whilst technology and regulation continue to shape both ourselves and our partners. The rise of new payment service providers entering the insurance market does present an added threat, but our deep market penetration, strong relationships, expertise in customer service and continued innovation sees us well placed to succeed.

The low interest rate environment seems set to continue, following the Bank of England Base Rate reduction in August 2016, reducing margin compression.

Technology

Our continuing investment in technology has three key strategic aims:

1. To develop an unrivalled customer experience in all of our chosen markets.
2. To provide improved efficiency for our network partners and intermediaries.
3. To build a digital sales process, which enables all our partners to consistently present finance offers at the point of sale, and acquire and retain more customers, while meeting regulatory and compliance expectations.

In July, we launched our new loan administration system to replace our legacy system. This new system provides a dynamic new platform which is more efficient and offers significant potential for developing the future of our business and deploying new enhancements to support our investment in continuing innovation. Like any major system implementation, this had some initial issues, but these were resolved, and the legacy platform has been decommissioned.

In October, we launched our new 'Point of Payment' EPICC (Electronic Payments for Insurance Customers and Clients) platform. EPICC allows our partners to consistently present all clients with installment finance alongside other payment options. This maximises their ability to offer a financial solution to suitable customers at the point of sale. This unique service provides customers with informed choices about their payment options, improves our analytics and increases our partners' efficiency. We plan to roll this platform out across our business, beginning with Corporate and Commercial brokers.

EU referendum

We have seen no immediate impact arising from the EU referendum vote other than the weakening of the British pound, which has had a positive impact in 2016 for our Irish business. Our underlying service is the provision and financing of insurance premiums; these are often compulsory, such as for product and employer liability, or fleet and car insurance. Our Irish business is independently authorised and regulated by the Central Bank of Ireland, and so does not depend on EU Passporting. What remains unknown is the wider macro-economic impact of the EU referendum, including credit losses and credit demand in an anticipated period of low interest rates. The Directors will continue to monitor the impact of the EU referendum on the business.

Risks

The Group is predominantly exposed to Conduct and Compliance risk, Operational risk, Funding and Liquidity risk, Credit risk and Business risk.

Credit risk is considered to be increasing. Given that much of our lending is on a recourse basis, the underlying Credit experience continues to be positive. During the year, we have seen two examples of insurer failures – Gable and Enterprise Insurance – which may be evidence of further counterparty risks. Funding risk is considered to be falling, with our securitisation programme provides access to sustainable funding and the new master trust structure diversifying funding. All other risks are considered to be at the same level as 2015.

The Board oversees our risk exposure through a series of risk appetite statements for each of our principal and secondary risks and subsequent monitoring. A full description of the principal risks facing the business, together with how they are managed, is set out on page 18.

Regulatory Landscape

On 1 April 2014, the regulation of Consumer Credit passed from the Office of Fair Trading to the Financial Conduct Authority. Since that date, the Group's principal trading subsidiary, Premium Credit Limited, has operated with interim permission. In May 2015, we submitted an application for full authorisation to conduct regulated consumer credit business and during 2016 we have continued to engage with the FCA over our application.

Our People and the Future Outlook

I would like to thank all the people who have contributed to making us the market leader that we are today. Our success and continued future growth is dependent on the commitment of our employees and our ability to develop outstanding products and services for our customers. 2016 has been a year of significant change but we can look ahead with confidence, knowing that we can build on this year's investments and innovations.

In 2017 we look forward to consolidating these changes and making progress towards our strategic aims. We remain confident that our strategy and our proven business model will continue to provide long term and sustainable value for our customers, employees, shareholders and business partners. We will see continued growth in our core markets, expanding relationships with new intermediaries and seeking to exploit opportunities within adjacent, high value segments.

Thomas Woolgrove
Chief Executive Officer

> "The Group has performed strongly since 2008, with consistent growth in Net Advances and Earnings, whilst also maintaining the credit quality of our book."

[1] Adjusted Post-Securitisation EBITDA is a profit measurement that excludes certain non-cash items, certain one-off expenses, tax and interest other than securitisation interest costs. A detailed description and a reconciliation to operating profit before taxation is shown on page 26.

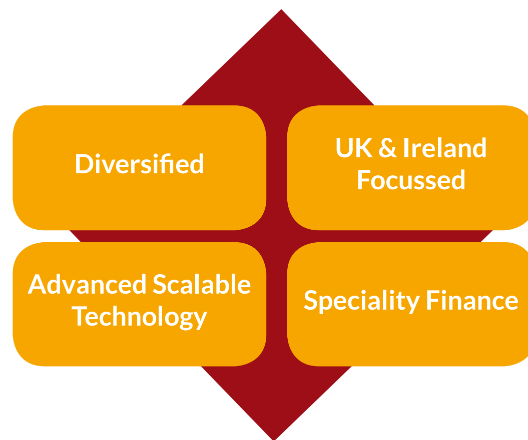
A2. Purpose, Vision and Values

Our Purpose

We enable customers to manage their payments more easily.

Our Vision

To be the trusted payments and finance provider in our chosen markets.



Our Values

1. **Considerate**
We act with honesty and integrity, and put customer needs at the heart of everything we do.

2. **Collaborative**
We work, succeed and celebrate together.

3. **Accountable**
We take accountability for our actions, deliver on our promises and proactively learn from our mistakes

4. **Driven**
We passionately strive for excellence and continuous improvement.

A3. Business Model

Leading Provider

3,000

Over 3,000 leading brokers, insurers and intermediaries

3 million

Almost three million customers

Premium Credit Limited, the Group's principal trading subsidiary, helps almost three million customers to manage their finances and supports its partners to develop their business. The Group has a clear strategy to deliver consistent growth and earnings for our shareholders.

What we do

The Group provides instalment finance and payments services via our network of intermediaries, to nearly three million individuals and SMEs in the UK and Ireland. Our intermediary network consists of firms who typically charge annually for their services, such as insurance brokers, insurance providers, membership organisations, schools and leisure facility providers.

How we do it

We provide advances to our end-customers, which they use to pay annual premiums and other service fees such as school, professional membership, sports and leisure fees on a monthly instalment basis.

Why we have been successful

Our size and long operational history has allowed us to develop an advanced and scalable Information Technology system, which helps us to provide our intermediaries and other clients with funding propositions. We are able to service a high volume of payments and collect amounts outstanding on our advances on a reliable and continual basis. We work with a diverse network of over 3,000 leading brokers, insurers and other intermediaries who offer our financing products to end-customers, and we believe we have strong and resilient relationships with our key intermediaries.

Why what we do matters to people

End customers

As the finances of people in the UK and Ireland are squeezed due to the macro-economic and political environment, our end customers are looking for alternative ways to finance big ticket items. These items include critical purchases such as insurance and large one-off business payments, in addition to aspirational and leisure pursuits such as private school fees and golf club membership.

Intermediaries and partners

By outsourcing this vital part of their operating model to us, our intermediaries and partners benefit from the improved efficiency to their own business models. Our experience and scale enables them to:

- Reduce costs.
- Improve their cash flow and liquidity.
- Have more control over their regulatory obligations.

How we generate income

Our income stream derives from a combination of interest income on amounts we have advanced to our mutual customers and fees due for services we provide.

Our market position

We are a UK leader in the processing and financing of instalment services. We have an unrivalled position in the insurance industry, a sector that is characterised by stable and regular annual payments.

Our competitors

Our nearest competitors are other finance providers such as banks and non-bank credit providers. The Fintech era has seen a change in the way that people transact and purchase products, with new entrants occupying a niche position in several segments. However, investment in our IT systems and platforms has streamlined our operating model, and we now have much greater capacity to build rapidly bespoke, flexible new products and services. We see some of the new entrants into the market as potential partners, which would increase our penetration.

Our competitive advantage

Whilst there are other key players operating in the market, there are specific elements of our proposition which strongly differentiate the Group:

- Long term strategic partnerships – we are one of only two major providers in the instalment fee lending market in the insurance industry. We have long-established relationships and our expertise is highly valued as part of our overall service proposition, with 12 of our top 15 network partners having worked with us for more than 10 years.
- Technology platform and integration – our information technology platform enables point of sale financing and is integrated with our distributed network partners' businesses, which improves the efficiency of their operating model. Our system becomes an integral part of their payments processing. We are increasingly offering tools to enable end customers to self-serve, making all transactions and servicing as simple as possible, enhancing our customer service.
- Scale and scalability – our efficient and accessible systems process over 30 million direct debit transactions in a year on behalf of over 2.9 million customers.
- Deep insurance industry and credit expertise – our financing solutions provide us with multiple layers of credit protection; our credit loss rate in 2016 averaged 0.14% of our net advances in the year (2015: 0.14%). These loss rates are significantly lower and less volatile than other forms of consumer finance.
- Our innovation and marketing strategy, which has been critical to changing the way the market operates, maintaining our leading position in insurance premium finance, and diversifying our revenue streams through the targeting of additional high value segments.

A4. Strategy

The 2016 results show a business which is performing strongly and leading the market. Our strategic planning constantly evaluates new developments in the market and is revised accordingly. Not only are we mitigating risk but identifying new opportunities where our technology can be adapted and utilised by a growing number of users.

Our Earnings

The majority of our earnings stream originates from the financing of insurance premiums. Insurance is an essential product for many borrowers, and is often a legal requirement. Our point-of-sale lending services are highly integrated with our intermediaries' systems, resulting in low cost credit and efficient processing.

Our Objectives

1. To develop technology solutions which deliver unrivalled customer experience, enhanced analytics and reduced costs through increased efficiency.
2. To invest in innovation to make sure our technology is leading the market, rather than reacting to the dynamic evolution of the industries in which we operate.
3. To create a strong risk and governance framework which ensures fair outcomes for customers, complies with regulatory requirements and helps our partners to manage their legal requirements.
4. To maintain a secure, diverse and stable funding structure.
5. To develop and grow relationships which add value for customers.
6. To develop and retain our staff and look to secure the most talented available in the market.

To develop technology solutions which deliver unrivalled customer experience, enhanced analytics and reduced costs through increased efficiency

The majority of our lending is integrated into our partner's point-of-sale. Our technology allows straight through and automated processing which reduces manual intervention and creates significant cost savings. We are actively processing over 30 million direct debits each year which means that stable, resilient operating platforms are critical.

We will continue to invest in our technology to enhance our product and service offers. Our strategy is to integrate further with our partners to improve the overall customer experience. This is critical, as customer experience is going to be one of the key differentiators in the future as new entrants move into the market with bespoke systems.

We will also seek to extract value from the significant data we have about our customers. Part of our investment this year enables us to utilise improved analytics and Customer Relationship Management (CRM) tools. This will support our partners and realise more value from existing customers.

To invest in innovation to make sure our technology is leading the market, rather than reacting to the dynamic evolution of the industries in which we operate

In July 2016, we went live with our new core loan administration system. Despite some initial problems to be expected in a change of this scale we were able to streamline, and decommissioned a number of platforms in order to simplify our IT infrastructure. One of the biggest threats to established players in the industry is an inability to develop their core systems because of complex and outdated technology. With the work we have done this year we are well positioned to lead the market rather than slowly react to change.

We have a dynamic, scalable platform which can provide our partners with bespoke solutions. In addition, we can amend the processing and we are looking at how we can integrate with new payment models for insurance (e.g. pay as you go).

To create a strong risk and governance framework, which ensures fair outcomes for customers, mitigates regulatory risks and helps our partners to manage their legal requirements

The financial services industry has adversely impacted value through inadequate regulatory controls and conduct over the last ten years. Our aim is and always has been to ensure that we grow at a sustainable rate, and remove any regulatory risk within our business and for our partners.

Premium Credit Limited is regulated by the Financial Conduct Authority. Given the high number of customers we serve, we will continue to manage our business within a strong compliance risk and governance framework, and will continue to invest in strengthening our operational processes and controls. This will ensure fair outcomes for customers.

The Group is predominantly exposed to a variety of risks, particularly Credit risk, Liquidity and Conduct risk. For Credit risk, the Group has multiple layers of credit protection available. These protections arise as our earnings stream derives predominantly from the financing of cancellable and rebateable services. As a result, our loss rates are low, and show little volatility through the economic cycle. We will continue to invest resources in strong credit underwriting to maintain these low loss rates, and are enhancing our affordability and credit assessment to ensure appropriate outcomes for our customers.

In our opinion, a well-managed and governed business is critical to maintaining stakeholders' confidence and delivering sustainable shareholder returns.

To maintain a secure, diverse and stable funding structure

Funding is provided from a £1,250 million securitisation facility to December 2019, together with £189.4 million of corporate bonds which mature in May 2021. As at 31 December 2016, £990 million was drawn down on the securitisation facility (2015: £955 million).

In December 2016, we executed a new Master Trust structure, as well as establishing an Excess Concentration series. As we move forward, we will look to ensure the sustainability and diversification of our funding sources.

To develop and grow relationships and add value for customers

Our distribution strategy has three clear aims:

1. To deepen our relationships with existing partners.
2. To identify new opportunities in markets that can benefit from our technology, lending and regulatory expertise.
3. To reduce processing costs and add value for our customers through an improved experience.

Our focus is on providing affordable instalment credit to help individuals and SMEs' smooth cash flows during the year. We believe this area of the market offers strong margins and sustainable returns, and is valued by customers. We lend to a wide customer base which means that our credit risk is highly diversified.

We manage, monitor and support our partners via a dedicated relationship team to ensure dealings with our customers are ethical, comply with relevant regulatory requirements and are of a consistently high standard. In addition, we support them with market analysis to help them to prepare for changes in the industry they operate in. Our support for our partners is a key differentiator, as many of our competitors are either (a) part of a larger group and unable to pay sufficient regard to the importance of customer relations, or (b) lack the resources to build deep relationships with customers.

We have developed market-leading analytics and insight to support our partners' performance management and objectives. In 2016, we worked with our partners to improve customer retention, providing training in sales and developing customer communication skills. The result was improved customer management throughout our systems.

To further diversify and grow earnings, our strategic teams are evaluating the market potential of different segments. We have successfully opened up relationships in the education and leisure sectors, and we are identifying further opportunities to implement profitable relationships within new markets.

To develop and retain our staff and look to secure the most talented available in the market

The wellbeing, engagement and development of our employees is critical to the growth of the Group. In November 2016, we moved into our new office in Leatherhead, enabling, amongst other things, all our UK colleagues to be based in one office. This will enable greater collaboration and closer working with co-dependent teams.

Leatherhead is situated close to London's financial hub, which enables us to recruit some of the most talented people within established financial services institutions and London's thriving Fintech centre.

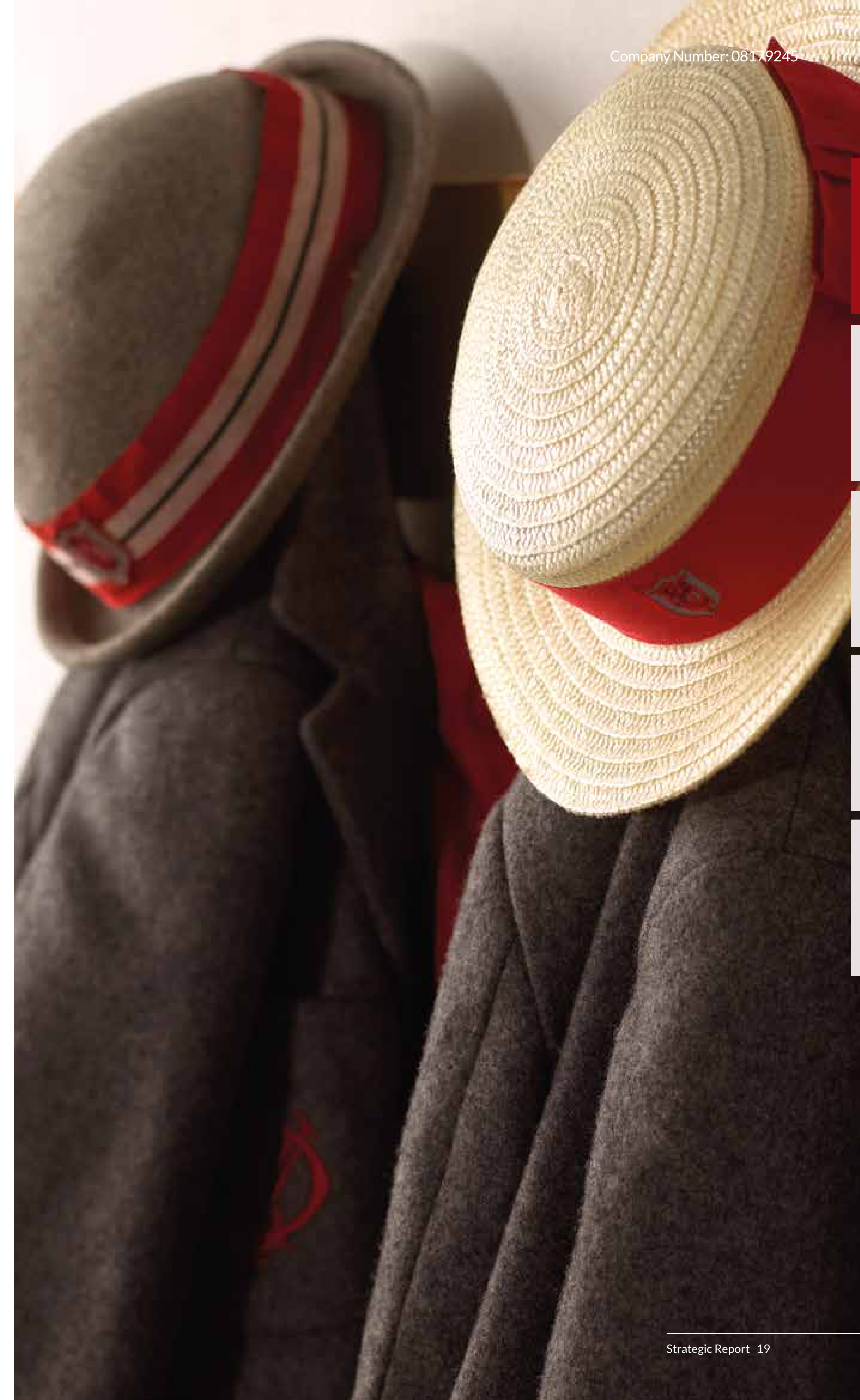
> "The 2016 results show a business which is performing strongly and leading the market."

A5. Principal Risks and Uncertainties

The principal risks to which the Group is exposed, which could significantly affect its prospects of success, are summarised below.

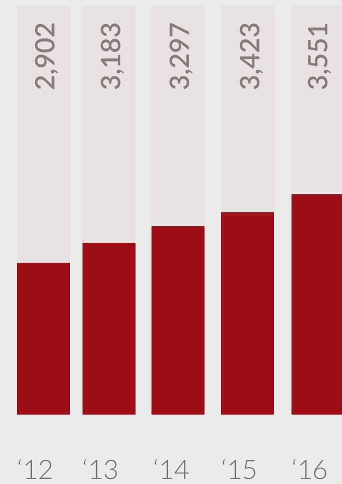
CATEGORY	RISK	DESCRIPTION
Conduct and Compliance	Fair outcomes	Failure to deliver appropriate customer outcomes would damage the Group's reputation and its financial performance.
Operational	Regulatory	Failure to comply with regulatory requirements would risk financial and reputational damage. The Group operates in increasingly highly regulated sectors.
	Reputational	The risk that an event or circumstance could adversely affect the Group's reputation.
	Systems and process	Substantial IT systems are required to support the Group's operations and guard against cyber-attack. System failures, manual errors, control failures or internal/external fraud could result in losses.
Funding and Liquidity	Interest rate	Reduction in spread between borrowing and lending rates would affect profit.
	Liquidity and capital	Inability to renew our securitisation facility could restrict lending or access to affordable funding.
Credit	Customer	Lending may be incorrectly targeted or customers may become less able to repay debt, exposing the Group to losses.
	Counterparty	Failure of our producers/intermediaries/insurers and ability to recover outstanding balances or recourse in the event of customer default.
Business	Economic and competition	A severe downturn in the UK and Ireland would restrict our customers' ability to pay. Profitability could be eroded by competitors.
	Foreign exchange	Profitability could be eroded by movements in foreign exchange rates.

The Group has considered and responded to all these risks, and mitigated the exposure as far as practicable. Further details of the risks and mitigations are included in the Corporate Governance section, on pages 52-56.



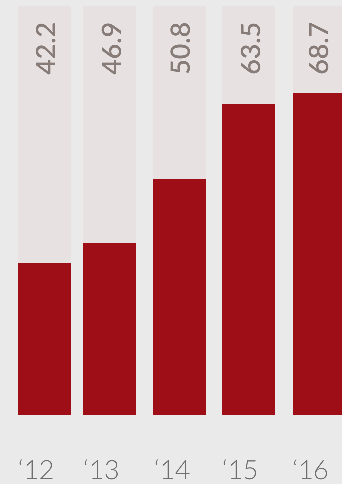
A6. Key Performance Indicators

Net Advances (£m)



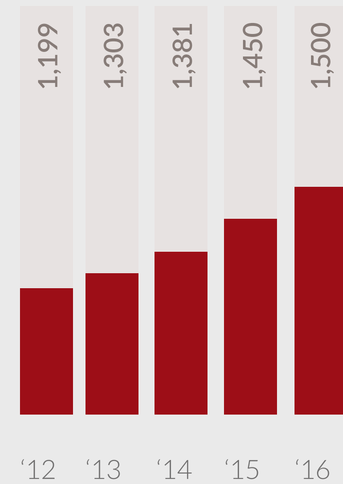
Net Advances measures the total value of loans processed, net of cancellations and mid- term adjustments. This is a leading indicator of future income that will be generated from these advances.

Adjusted Post-Securitisation EBITDA (£m)



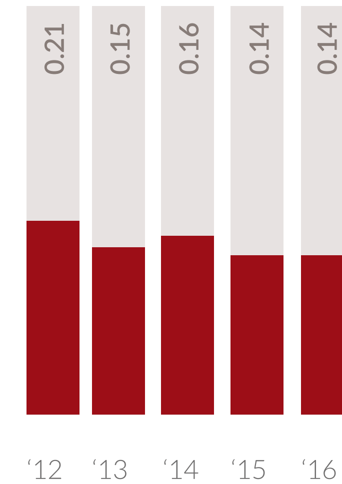
Adjusted Post-Securitisation EBITDA is the Group's primary internal measure of profitability. The full definition is shown on page 26.

Net Loans and Advances to Customers (£m)



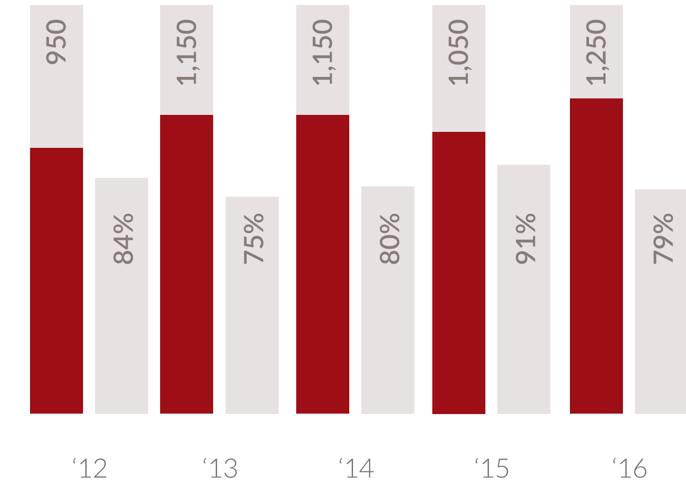
Net Loans and Advances to Customers measures the outstanding loan value at the year end. This is a growth metric which is a leading indicator of future collections and cash inflows.

Credit Quality: Loan Loss Ratio (%)



Credit quality: loan loss ratio is the impairment loss on our customer advances divided by the net advances in the year. It is a measure of the credit quality of the loan book.

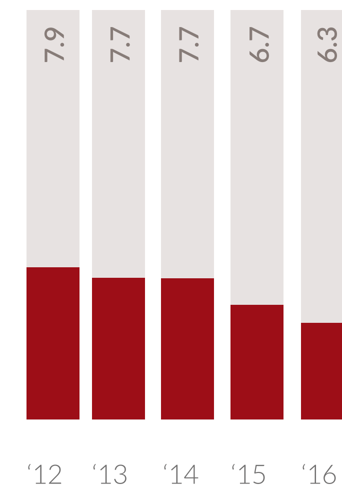
Secularisation Facility[1] (£m)



The proportion of our securitisation drawn down relative to the total facility is a key measure of the availability of funding to cope with growth in the loan book.

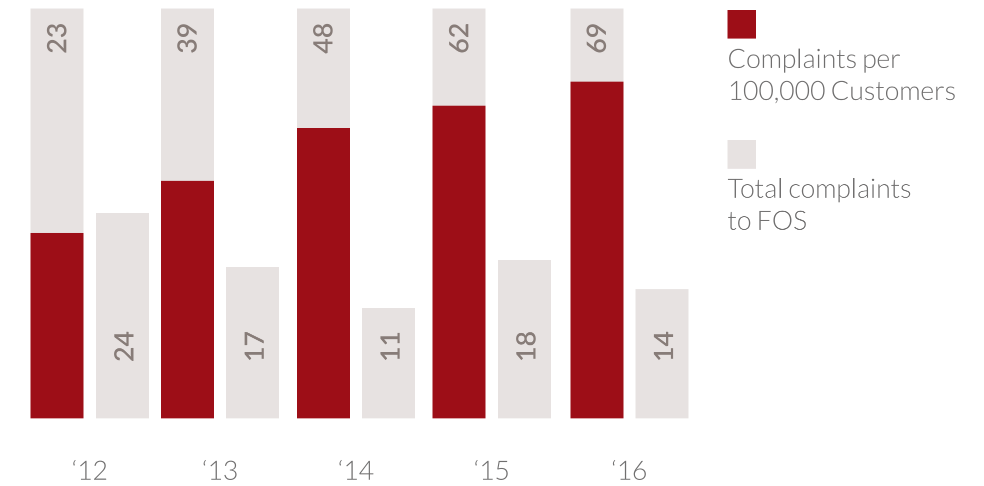
Facility Size £m Drawn down (including % of facility).

Average Tenure of Employees (years)



The average tenure of employees is a measure of the amount of experience maintained within the business.

Customer Complaints



Reportable customer complaints per 100,000 loans written measures the level of complaints normalised for business volumes. This is supplemented by the total number of Reportable complaints made to the Financial Ombudsman (FOS).

Mizzen Mezzco Limited was incorporated on 14 August 2012 and prepared its first set of financial statements for the 17 months ended 31 December 2013. To provide meaningful comparatives, the annual results for 2013 and 2012 from Premium Credit Limited, the only trading subsidiary, have been used as required.

A7. Business Review

A7.1. Financial Review and KPI's

Reporting

Our ultimate controlling party, Cinven Partners, is a UK private equity fund. Accordingly, the Annual Report and Financial Statements for 2016 have been prepared in accordance with the Walker Guidelines for UK companies in private equity ownership. The consolidated financial statements have been prepared under IFRS and the Company financial statements under UK GAAP (FRS 101) in accordance with the UK Companies Act.

Group Results	31ST DEC 2016 £M	31ST DEC 2015 £M	CHANGE £M	CHANGE %
Net Interest Income	99.7	89.9	9.8	10.9%
Administrative Expenses	52.1	83.3	(31.2)	(37.5%)
Operating Profit Before Taxation	61.7	19.4	42.3	218.0%
EBITDA[1]	79.9	69.1	10.8	15.6%
Adjusted EBITDA[1]	85.5	81.3	4.2	5.2%
Adjusted Post-Securitisation EBITDA[1]	68.7	63.5	5.2	8.2%

[1]Definitions of EBITDA, Adjusted EBITDA and Post-Securitisation EBITDA and a reconciliation from operating profit before taxation can be found on page 26.

Highlights

The Group delivered another strong financial performance with Adjusted Post-Securitisation EBITDA of £68.7 million, an increase of 8.2%. Operating profit before taxation increased £42.3 million to £61.7 million. Key trading highlights of the year include:

- Increase of 10.9% in net interest income to £99.7 million (2015: £89.9 million).
- Increase in net loans and customer advances of 3.4% to £1,500 million (2015: £1,450 million) and a loan loss ratio of 0.14% (2015: 0.14%).
- Increase in the existing securitisation facility from £1,050 million to £1,250 million.

Net interest income

The increase in net interest income of 10.9% was driven by a rise in loan origination, with interest income growth of 6.3%, and a decrease in interest expense of 11.5%. The decrease in interest expense is the result of a reduction in July 2015 in the rate of interest on borrowings through the securitisation facility. In addition, fees on the undrawn portion of the securitisation facility decreased.

Administrative expenses

Administrative expenses decreased by £31.2 million to £52.1 million (2015: £83.3 million). The main factors driving this decrease are goodwill written off in 2015 of £13.2 million (2016: £nil), a net gain from foreign currency translation of £7.6 million (2016: gain of £6.2 million; 2015: loss of £1.4 million), a fall in refinancingcosts of £5.3 million primarily due to the ownership change in 2015, a reduction in transaction costs of £4.2 million relating to the acquisition by Cinven in 2015 and a reduction in staff costs of £2.0 million,. The foreign currency gain in 2016 was largely a result of the fall in the British Pound rate versus Euro's following the EU referendum vote.

Operating profit before taxation and Adjusted Post-Securitisation EBITDA

The increase in income combined with falling costs has driven an increase in Operating profit before taxation of £42.3 million to £61.7 million (2015: £19.4 million) and Adjusted Post-Securitisation EBITDA increased £5.2 million or 8.2% to £68.7 million (2015: £63.5 million).

Funding and liquidity

The Group has three sources of funding:

1. Securitisation Facility – Premium Credit entered into a securitisation facility, backed by eligible receivables, in 2012. As at 31 December 2015, the facility was £1,050 million with six leading banks as counterparties. With effect from 16 June 2016, the facility was increased to £1,250 million, with £100 million of this increase provided by Royal Bank of Scotland (RBS) entering the facility, taking the number of counterparties to seven. On 16 December 2016, the final legal maturity date of the Securitisation Notes was extended to December 2019.

   In December 2016, a Master Trust facility structure was put in place, which became effective 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, with the addition of funding through an excess concentration series. The new structure will enable future access to public Asset-backed security (ABS) funding. This has diversified our funding base, further reducing liquidity risk. £6.6 million of fees relating to the Master Trust have been capitalised and £2.0 million of previously capitalised securitisation facility fees were expensed as a result of the above.
2. High Yield Bond – A £200.0 million High Yield Bond was issued in May 2014 with a coupon rate of 7% and maturity date of May 2021. The Group redeemed £10.6 million of its High Yield Corporate Bond during 2015, reducing the outstanding principal to £189.4 million.
3. Revolving Credit Facility – An overdraft facility for £15.0 million was put in place in 2015. In March 2016, it was replaced by a Revolving Credit Facility for £15.0 million, which remains undrawn.

The Group has complied with all its funding covenants in the year.

Working capital

Loans and advances to customers have increased by 3.4% to £1,500.2 million at 31 December 2016 reflecting the growth in the business. The primary source of funding for these receivables is the securitisation facility. Trade payables have increased by 2.0% to £411.9 million which is primarily amounts payables to intermediaries. Overall, changes in operating assets and liabilities has resulted in a cash outflow of £47.9 million in the year (2015: outflow £58.2 million) before changes in funding.

Cash

At 31 December 2016 the Group had a cash balance of £51.0 million, up 6.3% from 2015 (£48.0 million). This is after the payment of a £31.0 million dividend in 2016 (2015: £11.6 million).

A7.2. Non-Financial KPI's

Average tenure of employees

The average tenure of employee measures the average period of service across the workforce. The Group continues to invest in new talent as the business grows and the workforce increases, which has resulted in a slow downward movement in this metric over the years.

Customer complaints

The Group maintains two KPI's for customer complaints: complaints we receive directly from customers, which is measured per 100,000 customers to normalise for volume; and the absolute number of complaints referred to the Financial Ombudsman Service (FOS).

Complaints per 100,000 customers for 2016 were 69, or 0.07% of our customers, which remains very low. In 2016 only 14 complaints were made to the FOS (0.01% of our customers), of which five were subsequently referred on to the Ombudsman for further consideration, with one of the complaints upheld. We continue to be focused on providing a high quality service to our customers and in the unfortunate and occasional event that a customer does have a complaint we aim to respond in a timely and attentive manner to provide a fair outcome.

The increase in non-FOS complaints was a result of the migration to our new loan administration system. The Group looks to provide a high quality service to remove the need for a customer to complain.

> "We continue to be focused on providing a high quality service to our customers and in the unfortunate and infrequent event that a customer does have a complaint, we aim to respond in a timely and attentive manner to provide a fair outcome."

A7.3. EBITDA

Reconciliation of Operating profit before taxation to EBITDA, Adjusted EBITDA and Adjusted Post-Securitisation EBITDA

	2016	2015[1]
	£'000	£'000
Operating profit for the year before taxation	61,704	19,367
Financing income	12	-
Financing expense	(14,654)	(15,511)
Profit for the year before taxation	47,062	3,856
Interest payable and similar charges	35,057	38,562
Depreciation and amortisation	3,431	1,969
Loss on disposal of fixed assets	14	260
Impairment of intangible fixed assets	877	-
(Gain)/loss on foreign exchange	(6,232)	1,373
Refinancing fees	1,113	6,434
Goodwill written off	-	13,158
(Gain)/loss on derivative financial instruments	(1,472)	536
Value Creation Project	6	2,951
EBITDA	79,856	69,099
Transaction costs	365	4,643
One time IT and other expenses	5,235	7,594
Adjusted EBITDA	85,456	81,336
Securitisation interest expense	(16,739)	(17,805)
Adjusted Post-Securitisation EBITDA	68,717	63,531

1. Due to a misclassification of an IFRS restatement, 2015 One time IT and other expenses has decreased £3.1 million from previously reported £10.7 million to £7.6 million, decreasing Adjusted EBITDA and Adjusted Post-Securitisation EBITDA by £3.1 million.

Definitions of EBITDA, Adjusted EBITDA and Adjusted Post-Securitisation EBITDA

1) EBITDA represents profit for the period before taxation, interest payable and similar charges, depreciation and amortisation, the latter including goodwill and Securitisation Facility fee amortisation. EBITDA is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS.

2) Adjusted EBITDA represents EBITDA as adjusted for certain transaction costs, pro forma standalone expenses and one-time information technology and other expenses. You should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. We may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

3) Adjusted Post-Securitisation EBITDA represents Adjusted EBITDA as adjusted to exclude any add-back to profit for the period before taxation of interest expense related to the Securitisation Facility. In evaluating Adjusted Post-Securitisation EBITDA, we encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemental analysis. As an analytical tool, Adjusted Post-Securitisation EBITDA is subject to all of the limitations applicable to EBITDA and Adjusted EBITDA.

> The Group remains committed to the long-term interests of shareholders, employees, customers and other stakeholders, which are best served by acting in a socially responsible manner.

A8. Sustainability Report

The Group remains committed to the long-term interests of shareholders, employees, customers and other stakeholders, which are best served by acting in a socially responsible manner. As such, the Group's aim is to ensure that a high standard of corporate governance and responsibility is maintained in all areas of its business and operations.

A8.1 Employees

The Group recognises that its future success, as in the past, will depend on the loyalty and performance of its employees. The leadership team are committed to creating a culture in which employees are accountable for their work, but enjoy the freedom to perform to the best of their abilities. The Group is committed to listening to and acting upon feedback from its employees.

Key initiatives include:

- The move to our new premises, which presents a significant opportunity for our employees. The fresh and stimulating working environment will encourage innovation and collaboration throughout the organisation;
- Improvements in employee communication, such as updates on business performance and the progress of key projects. Employee forums present an opportunity for dialogue and continuous improvement, and successful examples in 2016 include one to discuss the move, and a colleague engagement group set up after the last employee survey;
- Investing in building skills in important areas to develop organisational capability, such as technology, data analytics, sales and marketing. Recruitment, training and providing employees with the right systems and processes all contribute to developing organisational capability. We will also be launching an apprenticeship programme to develop our future workforce;
- The recent launch of MyBenefits, a new flexible benefits portal. Remuneration structures are competitive, and recognise and reward performance.

The Group seeks to operate as a responsible employer, whose corporate values promote standards designed to help employees conduct their business relationships. It is the Group's policy to conduct business in an honest, open and ethical manner, and we have adopted policies governing equal opportunities and diversity, and health and safety. The Group categorically condemns all instances of bribery and corruption, harassment, bullying and discrimination.

Composition of the workforce

We have over 400 employees working in the UK and Ireland. We employ individuals with diverse backgrounds and the table below shows our gender diversity at year-end:

	2016		2015	
	Men	Women	Men	Women
The Board	100%	-	100%	-
Senior Management	83%	17%	83%	17%
Other Employees	50%	50%	51%	49%
Total	**53%**	**47%**	**54%**	**46%**

Whistleblowing

The Group has an established whistleblowing policy which enables employees to speak out when appropriate, and which ensures that no employee making such disclosure will suffer any consequent disadvantage.

Equality and diversity

The Group is committed to promoting equality, and decisions about recruitment, selection, training, promotion or any other aspect relating to a person's employment with the Group are made regardless of gender, sexual orientation, disability, marital status, age, race, religious or political beliefs. Employment policies set out clear guidelines relating to equal opportunities and there is also an anti-bullying and harassment policy.

Human rights

The Group respects human rights as defined under the European Convention on Human Rights.

The Group supports the objective of the Modern Slavery Act 2015, in raising awareness of modern slavery and human trafficking, in accordance with government guidance.

Health and safety policy

The Group's health and safety policy is to maintain a healthy and safe working environment, and to ensure the health, safety and welfare of all its employees and the general public. There were no significant incidents in the workplace during the year (2015: none).

A8.2 Environment

The Group is engaged in the financing of insurance premiums and instalment services, and therefore its overall environmental impact is considered to be low.

The Group complies with all applicable environmental laws and regulations. We are committed to the reduction of physical waste within the business through improved efficiency and are currently running a paperless project to reduce our carbon footprint. At our Head Office, we encourage the use of mobile devices, and projectors and screens in meetings, reducing the number of available printers and upgrading to more energy-efficient models. We continue to invest in digital solutions that encourage our customers to adopt "e-signing" for credit agreements and to use online portals to monitor and manage their accounts.

The Group operates out of two main offices located in Leatherhead and Dublin, and distributes its products through a network of partners. There is consequently an amount of business related travel between sites and to our partners' offices. The Group has begun to measure this impact, seeking wherever possible to minimise it through the use of alternative technologies. It continues to review all activities to identify opportunities for reducing our carbon footprint.

A8.3 Corporate social responsibility

Supporting the community

The Group is working actively with industry bodies, regulators, and other relevant stakeholders to ensure its services are relevant to disadvantaged and financially excluded people and communities.

During the year, the Group made donations of £9,524 (2015: £7,745) to charitable causes. The Group made no political donations during the year (2015: £nil).

We have an active Corporate Social Responsibility ("CSR") committee, comprised of internal volunteers who represent the whole business at monthly meetings to monitor our progress. The team works closely with the local community and charities, and encourages staff to support and participate in local community activities. We currently have a number of formal initiatives underway in which our employees have been making a difference to our local communities. These include:

- Fundraising – supporting local community organisations, and holding quarterly fundraising days, supported by Company-matched funding;
- Food banks – regular contributions are made to local food banks, with the aim of providing 430kg annually;
- Volunteering – we promote local volunteering opportunities to our staff, which they may elect to participate in outside of work; and
- Donations – donated Easter and Christmas gifts to local disadvantaged children.

A9. Approval of Strategic Report

Thomas Woolgrove
Chief Executive Officer

Section A of this Annual Report comprises the Strategic Report for the Group, which has been drawn up and presented in accordance with, and in reliance upon, applicable English Company law, in particular Chapter 4A of the Companies Act 2006. The liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic Report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to the Group and its subsidiaries.

Approved by the Board on 25 April 2017 and signed on its behalf by

Thomas Woolgrove
Director

B. Governance

B1	Board of Directors	36-39
B2	Executive Committee	40-42
B3	**Corporate governance**	
B3.1	Board Committees	44
B3.2	Executive Committees	46-47
B4	**Audit Committee**	
B4.1	Statement by Chairman of the Audit Committee	48
B4.2	Membership and meetings	48
B4.3	Significant matters addressed by the Committee	48
B4.4	Internal audit	49
B4.5	External audit	49
B4.6	Whistleblowing	49
B5	**Risk Committee**	
B5.1	Statement by Chairman of the Risk Committee	50
B5.2	Risk management	50-51
B5.3	Principal risks and mitigation	52-56
B6	**Remuneration Committee**	
B6.1	Statement by the Chairman of the Remuneration Committee	57
B6.2	Membership and meeting	57
B6.3	Significant matters addressed by the Committee	57
B7	Report of the Directors	58-60

B1. Board Of Directors

KEY

Executive Directors; Non-executive Directors; Audit Committee; Risk and Compliance Committee; Remuneration Committee; Executive Committee; Operational Risk and Compliance Committee; Asset and Liability Committee; Credit and Counterparty Risk Committee; Profitability Pricing and New Business Committee; Customer Committee; Ireland Committee

Directors during the year and up to the date of signing the financial statements are shown below:

Directors of Mizzen Mezzco Limited

NAME	TITLE
Thomas Woolgrove	Director and Chief Executive Officer (appointed 11 January 2016)
John Reeve	Non-executive Director
Peter Catterall	Non-executive Director
Maxim Crewe	Non-executive Director
Anthony Santospirito	Non-executive Director
Chris Burke	Non-executive Director
David Young	Non-executive Director (appointed 11 January 2016)

Director of Premium Credit Limited:

NAME	TITLE
Colin Keogh	Chairman

Brief description of Directors' business experience and qualifications:

Colin Keogh
Non-executive Chairman
(PCL)

Colin Keogh, Non-executive Chairman of Premium Credit Limited, the Group's trading subsidiary brings a wealth of experience to the role having spent his career in financial services, principally at Close Brothers where he worked for 24 years. During that time, he held a number of senior management and board positions and was Chief Executive Officer from 2002 until 2009. He has an MA in Law from the University of Oxford and an MBA from INSEAD. Since leaving Close Brothers, he has held a number of non-executive directorships in a wide range of sectors, including the London listed retail bank Virgin Money and Hiscox Limited the FTSE 250 insurance company.

Thomas Woolgrove
Chief Executive
(from 11 January 2016)

Before becoming Chief Executive, Tom was Interim Deputy CEO at OakNorth Bank, a new challenger bank, and Interim CEO of Flood Re, the new industry led reinsurance vehicle for safeguarding affordable UK flood insurance. From 2010 - 2014, as Managing Director, UK Personal Lines, he led Direct Line Group's largest business unit and played a key part in the successful Direct Line Group IPO in October 2012. At Lloyds Banking Group and HBOS, he held various Managing Director roles in both banking and insurance, and was a strategy consultant at Gemini Consulting, part of the Cap Gemini group. Tom is a past President of the Chartered Insurance Institute and a former member of the Association of British Insurers General Insurance committee. He holds an MBA from the University of Chicago Booth School of Business, where he was a Fulbright scholar, and a Master's degree in Engineering and Management from Oxford University.

Peter Catterall
Non-executive Director and representative of Cinven Partners LLP

Peter joined Cinven Partners LLP ("Cinven") in 1997 and is a partner in the Financial Services and Consumer sector teams. He has been involved in numerous transactions at Cinven, including with Partnership Assurance Group plc, Avolon Aerospace Leasing Limited and The Gondola Group Limited.

Maxim Crewe
Non-executive Director and representative of Cinven Partners LLP

Maxim joined Cinven in 2006 and is a member of the Consumer Sector team and the UK and Ireland regional team. He has been involved in a number of transactions, including Avolon, Guardian Financial Services, Gala Coral, Partnership and Premium Credit Limited. Previously he worked at Citigroup, where he was involved in corporate finance within the European Retail and Consumer Group. Maxim has an MA in Politics, Philosophy and Economics from Oxford University.

Anthony Santospirito
Non-executive Director and representative of Cinven Partners LLP

Anthony joined Cinven in 2011 and is a member of the Business Services Sector team and the UK and Ireland regional team. Previously, Anthony was an Associate at Morgan Stanley in the Investment Banking Division, working across a range of sectors including media, mining, financial services, retail and utilities. Anthony graduated from Oxford University with an MA in Mathematics.

John Reeve
Non-executive Director

John Reeve was appointed a non executive Director of PCL in 2012. Prior to that he served as Chairman and Chief Executive Officer of Willis Group PLC, a multinational risk advisor, insurance brokerage and reinsurance brokerage company. John completed a five year tenure there from 1995 to 2000, during which a consortium of investors (including six insurance carriers) led by private equity sponsor Kohlberg Kravis Roberts acquired the company in a leveraged buyout. John retired from his executive functions in the year 2000. John was CEO of Sun Life Assurance Society PLC between 1987 and 1995, and a former Board member of the Association of British Insurers and International Insurance Society Inc. He is also Chairman of Temple Bar Investment Trust PLC. He is a Chartered Accountant and a Companion of the Chartered Management Institute.

Chris Burke
Non-executive Director

Chris Burke is a former Managing Director of Research in Motion across Europe, Middle East and Africa. Chris has had a distinguished career in telecommunications and technology. From 2001 to 2004 he held the position of Chief Technology Officer at Vodafone UK, responsible for all Vodafone's technology and product architecture. He is currently chairman of MusicQubed and Navmii and holds board positions with Dialog Semiconductor, Dtex and Fly Victor. Chris graduated from Acadia University with Bachelor's degree in Computer Science.

David Young
Non-executive Director

David Young joined the group as a Non-executive Director in January 2016. Having qualified both as a Chartered Accountant and Chartered Tax Adviser and following an early career in investment banking, he became Finance Director, Chief Operating Officer and latterly Chief Executive of a quoted insurance broking group. Since 1999, he has specialised in being a Non-executive director of businesses in the insurance, consumer finance and investment markets, particularly those that need to respond to changing financial services regulation and/or are private-equity owned. He is also a Non-executive director and Audit Committee chair of Watchstone Group Plc, British Gas Insurance group, Key Group and other private companies.

B2. Executive Committee

Key members of our executive committee during the year and up to the date of signing the financial statements, unless otherwise stated, are shown below:

NAME	TITLE
Thomas Woolgrove	Chief Executive Officer (appointed 11 January 2016)
Nayan Kisnadwala	Group Chief Financial Officer
Robert Allan	Chief Financial Officer (resigned 13 April 2017)
Mark Dearnley	Chief Information Officer (appointed 19 September 2016)
Gopinath Chelliah	Chief Digital Officer (resigned 31 December 2016)
Simon Moran	Head of Insurance and Chief Marketing Officer
Roger Brown	Head of New Markets
Jasan Fitzpatrick	General Counsel and Company Secretary

Business experience and qualifications of the executive committee who are not Directors at the date of signing the financial statements:

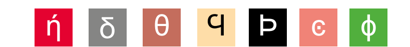
Nayan Kisnadwala
Group Chief Financial Officer

Nayan Kisnadwala was appointed as Group Chief Financial Officer of PCL on 22 July 2015. Nayan has had divisional, geographic and group Finance leadership roles in the Financial Services/Payments Industries for the last 3 decades in USA, UK and Asia. He has held senior roles at a number of international financial services companies including Citigroup, American Express, RBS and most recently, Barclays. He is a Chartered Accountant from India and has an MBA in Finance from Stern Business School, NYU.

Mark Dearnley
Chief Information Officer

Mark Dearnley joined us in September 2016 after serving as Chief Digital and Information Officer at HM Revenue and Customs. He also brings extensive experience from his previous leadership roles at Vodafone, Cable and Wireless and Boots.com. He graduated from Brunel University with a Bachelor's degree in Electronics and Electronic Engineering. Mark is a Fellow of the Institution of Engineering and Technology and the British Computer Society.

Simon Moran
Head of Insurance and Chief Marketing Officer



Simon Moran joined us in 1998 and, as our Head of Insurance and Marketing is responsible for sales performance. Prior to that he held senior positions in Underwriting and Sales, most recently with Transamerica Insurance Finance Company.

Roger Brown
Head of New Markets

Roger Brown joined us in January 2013 and currently holds the position of Head of New Markets. Prior to that he held senior positions at various companies across the insurance industry, including the position of Divisional Finance Director at Capita's General Insurance Division from 2010 to 2013, Finance Director at Cullum Capital Ventures, a leading insurance intermediary consolidation group from 2005 to 2010, Director of Close Premium Finance, an insurance premium financing company from 1999 to 2005, Managing Director of Premium Payment Plan, insurance premium financing company, from 1997 to 1999 (subsequently sold to Close Brothers), Operations Director at Transamerica Insurance Finance, a provider of financial services and insurance, from 1994 to 1997, and prior to that an Accountant at Willis Faber. Roger graduated from UCE in Birmingham with a BA in Economics and is a Fellow of the Chartered Institute of Management Accountants (CGMA).

Jasan Fitzpatrick
General Counsel and
Company Secretary

Jasan Fitzpatrick joined us in April 2013 and currently is General Counsel and Company Secretary. Prior to joining us he was General Counsel and Company Secretary at Northern Rock. Jasan graduated from Manchester University with a Bachelor in Law.

B3. Corporate Governance

B3.1 Board Committees

The Group conducts its trading activities through its wholly owned subsidiary, Premium Credit Limited ("PCL"). The Board has overall responsibility for setting the strategic direction of the business. It has a formal schedule of matters reserved for its consideration and delegates all others to the CEO and the Executive team. It has created three sub-committees to satisfy itself that financial controls and systems of risk management are robust, support effective corporate governance, and discharge the wider range of responsibilities. This framework is detailed below:

The Board

The PCL Board meets six times during the course of the year and is responsible for determining the Group's strategy and direction. The Board has a schedule of reserved matters.

All Board committees operate within defined terms of reference and sufficient resources are made available to them to undertake their duties. Directors unable to attend meetings will receive the relevant papers and any comments will be reported to the meeting. Directors have attended a number of ad hoc meetings during the year in addition to the regular Board meetings, and have contributed to discussions outside the regular meeting schedule.

Audit Committee

The Audit Committee meets at least four times a year. Its current members are John Reeve (Chair), Maxim Crewe, Anthony Santospirito, Chris Burke, Colin Keogh and David Young, all of whom are non-executive directors. The Board is satisfied that all Committee members have recent and relevant financial experience. Further information on the work of the Audit Committee is provided on page 48.

Risk Committee

The Risk Committee comprises David Young (Chair), John Reeve, Maxim Crewe, Anthony Santospirito, Colin Keogh and Chris Burke, all of whom are non-executive directors.

The Committee meets four times during the year. Further information on its work is provided on page 50.

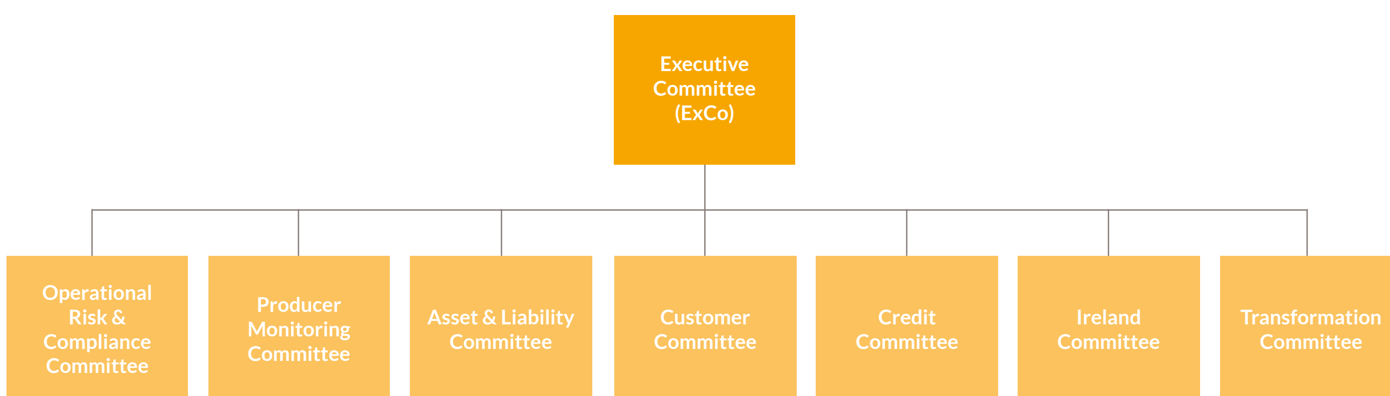
Remuneration Committee

The Remuneration Committee comprises Maxim Crewe (Chair), Peter Catterall and Colin Keogh, all of whom are non-executive directors. The Committee meets four times during the year. Further information on its work is provided on page 57.

B3.2 Executive Committees

The Board has delegated day-to-day running of the business to the Chief Executive. The Chief Executive has established the Executive Committee ("ExCo") and its sub-committees to assist in the management of the business, and to implement its strategic aims in an effective and controlled way. The ExCo provides general executive management of the business and facilitates cross-functional communication and liaison. The relevant ExCo member is accountable to the Chief Executive and the Board for managing performance, the identification and mitigation of risk, and for the Group's strategy, long-term plan and annual budgets.

The structure of the Executive Committees reporting to ExCo is illustrated below:



Operational Risk and Compliance Committee

The Operational Risk and Compliance Committee is comprised of all of the Executive Committee members and attended by heads of the relevant functions. It is chaired by the Group's General Counsel. The Committee is responsible for overseeing and monitoring operational risk management and compliance systems. It considers key operational risk information such as loss events, emerging risks and control failures. With respect to compliance, the Committee is responsible for overseeing the maintenance of effective systems and controls to meet regulatory and conduct obligations, and for countering the risk posed to the Group by financial criminals. It is also responsible for reviewing the quality, adequacy, resources, scope and nature of the compliance function, including the annual Compliance Monitoring Plan.

Producer Monitoring Committee

The Producer Monitoring Committee is chaired by the Chief Executive. The Committee is responsible for the monitoring of counterparty and conduct risk presented by any trading partner of the Company.

Asset and Liability Committee ("ALCO")

ALCO is chaired by the Group Chief Financial Officer. Its principal purpose is to identify, measure, control, monitor and review the financial risk management of the Group's balance sheet. It is responsible for monitoring all aspects of market risk, liquidity risk and capital adequacy, as well as the treasury policy and control framework.

Customer Committee

The Customer Committee is chaired by the Group Chief Financial Officer. The committee has primary responsibility for monitoring Conduct Risk and in particular the achievement of fair outcomes for customers.

Credit Committee

The Credit Committee is chaired by the Group Chief Financial Officer. The Committee monitors credit risk exposure and the management of overdue and impaired credit accounts. It also makes recommendations for credit risk appetite and continuously monitors performance against guardrails.

Ireland Committee

The Ireland Committee is chaired by the Chief Marketing Officer. The Committee is responsible for monitoring the sales, financial and operational performance of PCL Ireland. It is also responsible for overseeing and monitoring operational risk management and compliance systems, and ensuring that the business operates within the Irish regulatory framework and relevant Group policies.

Transformation Committee

The Transformation Committee is chaired by the Chief Executive, and is responsible for prioritising and monitoring the progress of the annual operating plan. The Committee also reviews monthly updates on the progress of all IT and Change portfolio projects.

B4. Audit Committee

John Reeve

B4.1 Statement by Chairman of the Audit Committee

The role of the Audit Committee includes reviewing and recommending financial statements to the Board for approval; monitoring accounting policies and practices for compliance with relevant accounting standards; reviewing significant judgements, assumptions and estimates in the preparation of financial statements; reviewing the scope and results of the annual external audit, and maintaining a professional relationship with the external auditors; and overseeing the internal audit function and the internal audit programme.

B4.2 Membership and meetings

The Committee consists of non-executive directors and acts independently of the executive. The Committee meets four times during the year and has an agreed agenda linked to events in the Group's financial calendar.

The Chairman normally invites to the meetings executive directors, representatives from its outsourced internal auditors, and a partner or representative from the external auditor.

B4.3 Significant matters addressed by the Committee

The Committee considers a wide range of topics, in particular:

- The program of audit work and relationship with the external auditors;
- Review of the statutory accounts;
- The internal audit programme and the results of internal audit reviews;
- The monitoring of liquidity, funding and loan covenant compliance;
- General Controls over IT and other systems;
- Areas of significant accounting judgement.

B4.4 Internal audit

The Committee considers and approves the remit and scope of this outsourced function, and ensures that adequate resources and appropriate access to information are provided. The committee considers the findings from completed internal audit reviews, and monitors progress against agreed actions arising from previous audits. During the year, the Committee considered and approved the Internal Audit plan based upon an assessment of key risks. Eight audits were completed during the year.

B4.5 External audit

The Committee is responsible for assessing the effectiveness of the external auditor and making recommendations to the Board on reappointment.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

B4.6 Whistleblowing

The Group has an established policy which enables employees to speak out when appropriate, and which ensures that no employee making such disclosure will suffer any consequent disadvantage.

B5. Risk Committee

David Young

B5.1 Statement by Chairman of the Risk Committee'

The role of the Risk Committee includes the oversight and challenge of the Group's risk appetite, the monitoring of risk metrics and performance, the recommendation to the Board of any changes to risk appetite and the assessment of any future risks. The Committee also oversees the arrangements relating to regulatory compliance.

B5.2 Risk Management

The PCL Board operates with a schedule of reserved matters and a delegation of authority to the CEO and the Executive Committee. PCL has a comprehensive framework for managing these risk classes effectively, and ensuring that the business operates within regulations and its risk appetite.

The Board has overall responsibility for determining the Group's strategy and related risk appetite. The Statement of Risk Appetite determines the type and extent of risks acceptable to the Group in pursuit of its overall business objectives. The Board is also responsible for overall corporate governance, which includes ensuring there is a robust and effective system of risk management, and that the level of capital and liquidity held is adequate and consistent with the risk profile of the business.

To support this, the Group has established a Risk Management Framework and a formal governance structure to identify, monitor and manage risks across its operations. The risk management framework is overseen by the Risk and Compliance Committee on behalf of the Board. The Committee is required to consider the nature and extent of the risks facing the Group and to keep these under review, to review the framework to mitigate such risks and notify the Board of changes in their status and control. Each quarter, the Risk and Compliance Committee reviews the risk register performs "deep dives" into risks of interest and reports to the Board.

The Chief Executive has established an Executive Committee (ExCo) and sub-committees and details of these committees may be found on page 46.

Three lines of defence model

The Committee structures outlined oversee the governance of risk, within a management framework organised along the Three Lines of Defence model, as follows:

- The First line of defence – line managers are responsible for establishing an effective control framework within their area of operations, for identifying and containing risks and operating in the context of the organisation's risk appetite, and for checking that they fully comply with Group policies and where appropriate, defined thresholds and limits. They also devise and manage appropriate key risk indicators, management information and assurance processes to ensure their control framework is robust and effective.
- The Second line of defence – the Risk Management function is responsible for proposing to the Board appropriate objectives and measures to define the Group's risk appetite and for devising a suite of policies to control the business including the overarching framework, and for independently monitoring the risk profile and providing additional assurance where required. Risk Management will augment managers' expertise by providing frameworks, tools and techniques to help them fulfil their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them.
- The Third line of defence – the Internal Audit function is responsible for independent assessment of the adequacy and effectiveness of internal controls and the system of risk management.

B5.3 Principal Risks and Mitigation

The Group is exposed to a variety of risks through its day to day operations. The principal risks, which are listed on page 18 of the Strategic Report, and how they are managed, are detailed below:

Conduct and Compliance Risk - Fair Outcomes	**Risk Direction:** ↔
Description	Mitigation
Conduct Risk is the risk that our operating model might lead to unfair outcomes for our customers.	The Group has a suite of policies focused on the fair treatment of customers. We have an Operational Risk and Compliance Committee that receives details of all operational risk incidents that have affected customers, together with actions to address any unfairness. In addition, our Customer Committee focuses on monitoring detailed metrics that measure results for customers. Where any activities are identified that result in unfair customer outcomes, we are focused on ensuring that they are addressed as a matter of priority and that any adverse impact on the customer is promptly remedied.

Operation Risk - Regulatory	**Risk Direction:** ↔
Description	Mitigation
The risk of loss arising from a breach of existing regulations or the imposition of adverse future regulatory changes in the markets the Group operates in.	The Group has a Risk, Compliance and Legal team that reviews key emerging regulatory developments to assess the impact on the Group. Expert third party advice is also sought where necessary. The compliance team has developed a formal monitoring plan which is reviewed by the Operational Risk and Compliance Committee and the Risk Committee. All employees are required to undertake regulatory training.

Operation Risk – Reputational	**Risk Direction:** ↔
Description	Mitigation
The risk that an event or circumstance could adversely affect the Group's reputation, including publicity from the activities of legislators, pressure groups and the media. Our reputation, customer relationships and operational results may be damaged by the actions of our intermediaries. If our external service providers and vendors are unable to or do not fulfil their obligations, our operations could be disrupted and our operating results could be harmed.	The Group has a strong corporate governance framework, and a strong enterprise risk management framework with documented policies and procedures. The Group has an established crisis management team in place, in case of a major event that may cause harm. The Group complies with current laws and regulations, and monitors and enforces existing policies and procedures. It fosters a risk management culture by creating awareness at all levels of staff.

Operational Risk – Systems and Process	**Risk Direction:** ↘
Description	Mitigation
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, internal or external fraud, and from arrangements with third parties.	The management of Operational Risk is an area of on-going focus, with significant investment made migrating from legacy IT systems to a 'best in class' platform providing strong foundations for the future evolution of the business. The migration creates an implementation risk which can disrupt both customers and intermediaries. To improve the overall control environment during this programme of work, continuing investment is being made in the development of risk management frameworks, systems and processes, including IT project management, implementation planning and cyber-risk management. An annual Internal Audit review plan is undertaken across a number of critical risk-based areas to provide assurance and monitoring oversight.

Funding and Liquidity Risk – Interest Rates	Risk Direction: ↔
Description	Mitigation
The Group is exposed to the risk that interest rate changes may compromise its profitability. Specifically, the Group's net income is determined by the difference between the interest rates it lends at and those at which it borrows.	The Group has a treasury function responsible for day to day management and control of its exposure to interest rate risk. The Asset and Liability Committee monitors interest rate risk on a monthly basis and reports to the Risk and Compliance Committee quarterly. The Group has the ability through contractual rate ratchets to reprice future lending in the event of rate rises. The securitisation facility is a variable rate funding facility. An interest rate swap was put in place in October 2012 to support the rating of the securitisation facility. The swap lapsed in October 2016 to be replaced by the new master trust structure which would support the rating.

Funding and Liquidity Risk - Liquidity and Capital	Risk Direction: ↘
Description	Mitigation
The risk that the Group will have insufficient liquidity to fulfil its strategic lending targets and/or meet its financial obligations as they fall due.	The Group funds its activities through a securitisation facility which is due to expire in December 2019. The Group has completed an annual extension of this facility every year since it was established to ensure that it has guaranteed funding for at least three years. From 2 February 2017, the Group has implemented a Master Trust funding platform to access public markets funding alongside its existing bank funders.

Credit Risk – Customers	Risk Direction: ↔
Description	Mitigation
PCL provides finance to individuals, partnerships and companies who wish to pay annual payments in monthly instalments. There is a risk that adverse changes in the economic environment or in the credit quality of our borrowers may result in additional impairment losses that could affect financial performance.	For our recourse products, Credit Risk is mitigated through the commercial arrangements that we have with our credit intermediaries. In circumstances where borrowers default, outstanding balances are received from our intermediary partners through a deduction from commission payments. For non-recourse products, the Group has credit risk policies in place setting out detailed criteria for checks that must be undertaken before a loan is made. In addition, a significant proportion of non-recourse lending occurs in circumstances where the borrower grants security over the proceeds of their insurance policies and any return of premium that may be made in circumstances where the insurance is cancelled early. The credit risk function regularly reports to the Credit Committee and the Risk Committee on the performance of the Group's lending portfolios. In addition, the Group has rigorous and robust processes in place to manage arrears.

Credit Risk - Counterparty	Risk Direction: ↗
Description	Mitigation
The Group has a large number of commercial arrangements with credit intermediaries, who are the first point of contact when recourse borrowers default. In addition, for non-recourse lending we have commercial arrangements requiring commission payments to be paid before being collected from the borrower, or where advance finance commission payments are being made. These payments can cause an exposure whilst they are collected from the borrower for the duration of their loan. For recourse insurance premium finance, the Group is also exposed to the risk of insolvency of the underlying insurer in relation to obtaining return premiums.	The Group operates an extensive process of due diligence in relation to the credit intermediaries with whom it enters into trading relationships with. Once a relationship is in place, there is also a continuous monitoring programme that keeps the financial, regulatory and trading performance of our partners under regular review. Where upfront payments are made, these are subject to a detailed modelling exercise to determine the level of financial risk that we are prepared to accept from any given intermediary. For insurers, regular monitoring and evaluation of exposure and financial condition is undertaken, especially for unrated insurers.

Business Risk – Economic and Competition	Risk Direction: ↔
Description	Mitigation
The risk of loss arising from the failure of the Group's strategy or management actions beyond the planning horizon. The business faces competition from other providers of insurance premium and service fees financing in the UK and Ireland, as well as from providers of alternative forms of credit. Deteriorating economic conditions may reduce demand for our advances or the products for which we provide advances, and this would materially and adversely affect our financial health and operational results. We depend on our network of intermediaries to sell advances, and any changes to our relationships with them could have similar consequences.	The Group has a strong record of operating successfully in its chosen markets throughout its 25+ year history, which it has achieved by continually improving its service proposition. The Group maintains strong relationships with its business intermediaries, customers and software house integrators. It is active in industry-wide groups that enable market trends to be identified and addressed. It also monitors competitors' products, pricing and positions to enable it to keep its own proposition under review.

Business Risk – Foreign Exchange	Risk Direction: ↔
Description	Mitigation
The Group operates in Ireland as well as the UK and is exposed to foreign exchange rate risk arising from currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.	The level of operations in Ireland in relation to the Group as a whole is such that the foreign exchange risk is deemed to be acceptable. There are no policies in place to mitigate this risk.

B6. Remuneration Committee

B6.1 Statement by the Chairman of the Remuneration Committee

The Committee reviews the Group's remuneration policy and makes recommendations to the Board on the remuneration of Executive Directors and the Chairman. It also sets and monitors performance criteria for all incentive schemes. In addition to Directors' remuneration, the Committee oversees any major changes to employee benefit schemes throughout the Group.

Maxim Crewe
Non-executive Director and representative of Cinven Partners LLP

B6.2 Membership and meeting

The committee comprises Maxim Crewe (Chair), Peter Catterall and Colin Keogh, all of whom are non-executive directors. It meets four times during the year and has an agreed agenda linked to the events in the Group's financial calendar.

B6.3 Significant matters addressed by the Committee

The Committee considered a number of topics, in particular:

- The Group's overall objectives and allocation of the Executive Committee's individual annual objectives and targets;
- The potential total bonus awards for the Annual Incentive Plan and Executive Incentive Plan, based on the Group's achievement of the annual EBITDA profit targets;
- The review and approval of Executive, Senior Management and Sales team incentive scheme results;
- The review of the Group's overall Remuneration policy, reward and recognition schemes, Equity allocations and other reward matters.

B7. Report of the Directors

The Directors present their report and the audited consolidated financial statements for the Group for the year ended 31 December 2016.

Principal activities

The principal activity of the Group is the financing and processing of insurance premiums and instalment services in the UK. The Group also operates through a branch in the Republic of Ireland.

Directors and Directors' interests

Names of the Directors who served during the year and up to the date of signing the financial statements may be found on page 36.

Cinven is determined by the Board to be the ultimate controlling party. No Director has an interest in the company's shares. A register of Directors' business interests is held by the Company Secretary.

Directors' indemnity and liability insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently still in force. The Company also purchased and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of itself and its Directors.

Business review and future developments

The Annual Report and financial statements provide shareholders with a fair and balanced review of the Group's business and the outlook for the future development, as well as the principal risks and uncertainties which could affect its performance.

The table below identifies specific information on the Business review:

Content	Section	Pages
A detailed review of the Group's business and future developments	Chief Executive's statement Business review	8,52
Principal risks and uncertainties	Principal risks and uncertainties	18
Environmental matters, employee information and community issues	Sustainability report	31
Corporate governance	Corporate governance	44

Key Performance Indicators

Key Performance Indicators are used to measure and control both financial and operational performance. Revenues, operating margins, costs and cash are trended to ensure that plans are on track and corrective actions are taken where necessary. Operational service performance is also monitored. Key performance indicators are discussed on page 20.

Conduct Risk

Conduct Risk is central to the Financial Conduct Authority's principles for conduct of business and is a core strategic value embedded into our business model. These strategic values are designed to underpin the longevity of our business model by ensuring that customer outcomes match their understanding and expectations, and are balanced with our business objectives.

Employees

The Group is committed to attracting, developing and retaining the best talent in order to achieve its strategic objectives. Internal communications have been enhanced providing more detailed information and understanding for staff on the progress and development of the Group. Staff engagement has been increased through the establishment of staff social committees. The Group is committed to employment policies which follow best practice on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled, the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. Further information on employees may be found on page 29.

Supplier payment policy

The Group agrees appropriate terms and conditions individually with its suppliers. It seeks to abide by these terms provided that the supplier has also done so.

Principal risks and uncertainties

The Group, through its operations, is exposed to a number of risks. Further information is provided in the Risk Management Approach on page 52.

Results and dividends

The Group continues to be consistently profitable. Its dividend policy determines the distributions which provide a reasonable return to shareholders, whilst also providing funds for investment, potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, the Group has a track record of returning the additional cash to shareholders.

The Directors paid an interim dividend of £31.0 million on 12 December 2016 (2015: £11.6 million). No final dividend is proposed.

Details of the results for the year are set out in the Consolidated income statement on page 66.

Research and development

The Group undertakes research and development on its IT systems to enhance its service offerings. Disclosure of the expenditure and capitalisation of development costs in the year may be found in note 14 to the financial statements.

Going concern

The Group has strengthened its funding position during the year. With effect from 16 June 2016, the securitisation facility was increased to £1,250 million (2015: £1,050 million), with £100 million of this increase provided by RBS entering the facility taking the number of counterparties to seven (2015: six). On 16 December 2016, the final legal maturity date of the Securitisation Notes was extended to December 2019.

In December 2016, a Master Trust facility structure was put in place which became effective 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, plus funding for an excess concentration series and will allow future access to public Asset-backed security (ABS) funding. This diversified our funding base, further reducing liquidity risk.

The Group also has an unutilised revolving credit facility in place of £15 million.

Accordingly, the Directors have assessed the Group's cash flow forecasts and are satisfied that it has adequate resources to continue operations for the foreseeable future and thus the financial statements have been prepared on a "going concern" basis.

Post balance sheet events

In December 2016, a Master Trust facility structure was put in place which became effective 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, plus funding for an excess concentration series and will allow future access to public Asset-backed security (ABS) funding. This diversified our funding base, further reducing liquidity risk.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the "going concern" basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that enable them to ensure that the financial statements comply with the Companies Act 2006, and that are sufficient to show and explain the Company's transactions. Directors are also obliged to disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that:

(a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) Each Director has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 25 April 2017 and signed on its behalf by

Thomas Woolgrove
Director

C. Financial Statements

C1.	Independent Auditors' Report To The Members Of Mizzen Mezzco Limited	64-65
C2.	Consolidated Income Statement	66
C3.	Consolidated Statement Of Comprehensive Income	67
C4.	Consolidated Balance Sheet	68
C5.	Company Balance Sheet	69
C6.	Consolidated Statement Of Changes In Equity	70
C7.	Company Statement Of Changes In Equity	71
C8.	Consolidated Statement Of Cash Flows	72
C9.	Notes To The Financial Statements	73-110

C1. Independent auditors' report to the members of Mizzen Mezzco Limited

Report on the group financial statements

Our opinion

In our opinion:

- Mizzen Mezzco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated balance sheet as at 31 December 2016;
- the company balance sheet as at 31 December 2016;
- the consolidated statement of changes in equity for the year then ended;
- the company statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group financial statements is IFRSs as adopted by the European Union, and applicable law. The financial reporting framework that has been applied in the preparation of the company financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Matthew Falconer

Matthew Falconer (Senior Statutory Auditor) for and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, London

26 April 2017

C2. Consolidated Income Statement

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Interest income		120,098	112,971
Interest expense		(20,403)	(23,051)
Net interest income	5	99,695	89,920
Fee and commission income	6	18,725	18,293
Fee and commission expense	7	(6,070)	(5,033)
Gain/(loss) on derivative financial instruments	8	1,472	(536)
Total income		113,822	102,644
Administrative expenses	9	(52,118)	(83,277)
Operating profit before taxation		61,704	19,367
Financing income	11	12	-
Financing expense	12	(14,654)	(15,511)
Profit before taxation		47,062	3,856
Income tax expense	13	(3,292)	(344)
Profit for the year attributable to shareholders		43,770	3,512

The notes on pages 73-110 are an integral part of these consolidated financial statements.
Results relate to continuing operations.

C3. Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit after tax for the year	43,770	3,512
Other comprehensive income **Items that may subsequently be reclassified to the profit or loss:**		
Foreign currency translation gain/ (losses)	2,087	(500)
Other comprehensive income for the year	2,087	(500)
Total comprehensive income for the year	45,857	3,012

C4. Consolidated Balance Sheet

As at 31 December 2016

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Assets			
Non-current assets			
Intangible assets	14	9,834	5,071
Property, plant and equipment	15	6,188	3,429
Loans and advances to customers	16	3,319	191
Prepayments and other receivables	17	4,026	-
Deferred tax asset	18	471	423
Total non-current assets		23,838	9,114
Current assets			
Loans and advances to customers	16	1,496,840	1,449,547
Prepayments and other receivables	17	5,895	7,598
Cash and cash equivalents	19	51,013	47,987
Total current assets		1,553,748	1,505,132
Total assets		1,577,586	1,514,246
Liabilities			
Non-current liabilities			
Borrowings	20	1,172,091	1,134,005
Trade and other payables	21	9,559	9,559
Total non-current liabilities		1,181,650	1,143,564
Current liabilities			
Trade and other payables	21	435,500	423,631
Derivative financial instruments	22	-	1,472
Total current liabilities		435,500	425,103
Total liabilities		1,617,150	1,568,667
Equity			
Called up share capital	23	44,502	44,502
Retained earnings		(85,471)	(98,241)
Other reserves	24	1,405	(682)
Total shareholders' equity		(39,564)	(54,421)
Total liabilities & equity		1,577,586	1,514,246

The financial statements on pages 66-110 were approved by the Board on 25 April 2017 and signed on its behalf by:

Thomas Woolgrove, Director

C5. . Company Balance Sheet

For the year ended 31 December 2016

	Notes	31 Dec 2016 £'000	31 Dec 2015 £'000
Assets			
Non-current assets			
Investments	25	44,502	44,502
Prepayments and other receivables	17	13,000	12,130
Total non-current assets		57,502	56,632
Current assets			
Prepayments and other receivables	17	10	-
Total current assets		10	-
Total assets		57,212	56,632
Liabilities			
Non-current liabilities			
Trade and other payables	21	9,559	9,559
Total non-current liabilities		9,559	9,559
Current liabilities			
Trade and other payables	21	223	122
Total current liabilities		223	122
Total Liablities		9,782	9,681
Equity			
Called up share capital	23	44,502	44,502
Retained earnings		3,228	2,449
Total shareholders' equity		47,730	46,951
Total liabilities & equity		57,512	56,632

The Company made a profit of £31.8 million in the year (2015: £12.4 million).

Approved by the Board on 25 April 2017 and signed on its behalf by:

Thomas Woolgrove, Director

C6. Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Notes	Called Up Share Capital £'000	Retained Earnings/ (losses) £'000	Other Reserves £'000	Total Equity £'000
At 1 January 2015		**32,921**	**(90,172)**	**(182)**	**(57,433)**
Profit for the year		-	3,512	-	3,512
Foreign currency translation losses	24	-	-	(500)	(500)
Total comprehensive income/(expense) for the year		-	3,512	(500)	3,012
Transactions with owners:					
Shares issued	23	11,581	-	-	11,581
Dividends paid	26	-	(11,581)	-	(11,581)
At 31 December 2015 and 1 January 2016		**44,502**	**(98,241)**	**(682)**	**(54,421)**
Profit for the year		-	43,770	-	43,770
Foreign currency translation gain	24	-	-	2,087	2,087
Total comprehensive income for the year		-	43,770	2,087	45,857
Transactions with owners:					
Dividends paid	26	-	(31,000)	-	(31,000)
At 31 December 2016		**44,502**	**(85,471)**	**1,405**	**(39,564)**

C7. . Company Statement of Changes in Equity

For the year ended 31 December 2016

	Notes	Called Up Share Capital £'000	Retained Earnings/ (losses) £'000	Total Equity £'000
At 31 December 2014		**32,921**	**1,653**	**34,574**
Profit for the year		-	12,377	12,377
Issue of preference shares	23	11,581	-	11,581
Dividends paid	26	-	(11,581)	(11,581)
At 31 December 2015		**44,502**	**2,449**	**46,951**
Profit for the year		-	31,779	31,779
Dividends paid	26	-	(31,000)	(31,000)
At 31 December 2016		**44,502**	**3,228**	**47,730**

C8. Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated by operations	27	**45,038**	5,680
Interest paid		**(29,996)**	(37,442)
Income tax paid		**(1,789)**	(1,000)
Net cash flows generated from/(in) operating activities		**13,253**	(32,762)
Cash flows used from investing activities			
Purchase of intangible fixed assets		**(7,232)**	(3,544)
Purchase of property, plant and equipment		**(4,612)**	(1,832)
Net cash used in investing activities		**(11,844)**	(5,376)
Cash flows from financing activities			
Finance lease payments		**-**	(210)
Increase in borrowings		**35,171**	29,650
Facility fees paid		**(3,375)**	-
Proceeds on issue of preference shares		**-**	11,581
Dividends paid to shareholders	26	**(31,000)**	(11,581)
Net cash flows generated from financing activities		**796**	29,440
Net increase/(decrease) in cash and cash equivalents		**2,205**	(8,698)
Cash and cash equivalents at beginning of year		**47,987**	57,185
Foreign currency translation loss		**821**	(500)
Cash and cash equivalents at end of year	19	**51,013**	47,987

The notes on pages 73-110 are an integral part of the financial statements.
Results relate to continuing operations.

C9. Notes to the Financial Statements

1. General information

Mizzen Mezzco Limited ("the Company"), and its subsidiaries (together "the Group"), is a financial services group specialising in funding and payment processing solutions. The Company is incorporated and domiciled in the UK. The Group has a branch in Ireland.

Details of subsidiaries and group undertakings are provided in note 25. These company and consolidated financial statements comprise both the financial statements of the Company and Group.

2. Accounting policies

A summary of the principal accounting policies, which have been applied consistently to all years presented, is set out below.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments at fair value.

The consolidated financial statements are presented in sterling which is the functional currency of the Group. The figures shown in the financial statements are rounded to the nearest thousand unless otherwise stated.

The financial statements of the company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The Company financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The Company's parent undertaking, Pomegranate Acquisitions Limited, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. There are no material recognition or measurement differences arising on the adoption of FRS 101.

The following exemptions from the requirements of IFRS have been applied in the preparation of the company financial statements, in accordance with FRS 101:

- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of IFRS 7 'Financial Instruments: Disclosures'.

(b) Going concern

The Group has strengthened its funding position during the year. With effect from 16 June 2016, the securitisation facility was increased to £1,250 million, with £100 million of this increase provided by RBS entering the facility taking the number of counterparties to seven. On 16 December 2016, the final legal maturity date of the Securitisation Notes was extended to December 2019.

In December 2016, a Master Trust facility structure was put in place which became effective 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, plus funding for an excess concentration series and will allow future access to public Asset-backed security (ABS) funding. This diversified our funding base, further reducing liquidity risk.

Accordingly, the Directors have assessed the Group's cash flow forecasts and are satisfied that the Group has adequate resources to continue operations for the foreseeable future and thus the financial statements have been prepared on a going concern basis. Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

(c) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and all consolidated subsidiaries, including a securitisation Special Purpose Vehicle (SPV).

Investment in Group undertakings

A subsidiary is an entity in which the Group determines the financial and business policies and is able to exercise control over it in order to benefit from its activities.

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment in the company financial statements. Impairment reviews are performed annually by the directors or where there has been an indication of potential impairment.

The results of subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated upon consolidation.

Special purpose vehicles

The Group enters into securitisation transactions in which it assigns receivables to an SPV that supports the issuance of securities backed by the cash flows from the securitised receivables. Although none of the equity of the SPV is owned by the Group, the nature of these entities, which are in substance controlled by the Group, mean that the Group retains substantially all the risks and rewards of ownership of the receivables. As such the SPV is consolidated on a line-by-line basis in the Group consolidated financial statements.

As at 31 December 2016, there were £988.9 million notes in issue relating to securitisation transactions (2015: £952.2 million).

(d) Net interest income recognition

Interest income and expense for all financial instruments measured at amortised cost are recognised using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of recognising the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees receivable that are an integral part of the instrument's yield, early redemption fees and transaction costs. All contractual and behavioural terms of a financial instrument are considered when estimating future cash flows.

(e) Fee and commission income recognition

Fees in respect of services are recognised on an accrual basis when the service to the customer has been provided. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is fixed and always determinable. The Group generates fees from the financing of insurance policies and other instalment services underwritten or delivered by third party insurers or suppliers. This is based on fee rates that are independent of the profitability of the underlying insurance policies or fee plan.

(f) Taxation

The tax expense included in the consolidated income statement consists of current and deferred tax. Tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be realised.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off

current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

(g) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date of valuation.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses recognised in the consolidated income statement are presented net in the consolidated income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

(h) Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks

(i) Financial instruments

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities.

Financial liabilities

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The Group does not hold any financial liabilities classified as held for trading.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss (FVTPL), loans and receivables and available-for-sale (AFS). Management determines the classification of its financial instruments at initial recognition. Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets at FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets held at FVTPL are recognised at fair value with any gains or losses included in the consolidated income statement in the period in which they arise. Transaction costs are expensed at the time of initial recognition. Derivative financial assets are classified as held for trading unless they are accounted for as an effective hedging instrument but are not separately categorised in the statement of financial position.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value plus transaction costs, these assets are carried at amortised cost using the effective interest method, less any impairment.

(j) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have expired or where substantially all of the risks and rewards of ownership have been transferred and the transfer qualifies for derecognition. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. In line with IAS 39, an exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Qualitative and quantitative factors are considered in determination of substantially different terms.

Collateral furnished by the Group under securitisation is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, therefore the criteria for derecognition are not met.

(k) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle a liability simultaneously.

(l) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument(s) at initial recognition. Impairment losses are assessed individually for financial assets that are individually significant and collectively for assets that are not individually significant. In making the collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of currently observable data, to reflect the effects of current conditions that did not affect the historical period.

Impairment losses are recognised in the consolidated income statement and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for impairment losses. If in a subsequent year the amount of the impairment loss reduces and the reduction can be related objectively to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

When a loan is deemed uncollectible it is written off against the related provision for loan impairment after all of the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off received from customers or other third parties are recognised directly in the consolidated income statement as a reduction in the loan impairment charge for the period.

Financial assets classified as available for sale

In the case of investment securities classified as available for sale, a significant or prolonged decline in the fair valueof the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss.
If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the income statement on investment securities are not reversed through the consolidated income statement.

(m) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are initially recognised at fair value on the contract date and are remeasured at their fair value at subsequent reporting dates.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Derivatives not in hedge accounting relationships

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated income statement as they arise.

(n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date with the exception of goodwill.

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group.
All other repairs and maintenance costs are charged to the consolidated income statement in the period in which they are incurred.

Depreciation is charged to the consolidated income statement on a straight-line basis so as to allocate the costs less residual value over their estimated useful lives. Depreciation commences on the date that the asset is brought into use. Work in Progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment.

Estimated useful lives for property, plant and equipment are:

Vehicles and equipment
–3 to 10 years

Leasehold improvements
– 10 to 20 years

Leasehold buildings
– 10 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in administrative expenses in the consolidated income statement.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Leases, in which substantially all of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Operating lease costs are charged to the income statement on a straight-line basis over the lease term.

(p) Intangible assets

Intangible assets that are acquired by the Group are stated at historical cost less accumulated amortisation and any impairment losses. Amortisation is charged to the consolidated statement of profit or loss on a straight-line basis over their estimated useful lives.

Internally generated intangible assets

Research costs are expensed as incurred. Expenditure incurred on the development of software is capitalised only if the following criteria are met:

- Technical feasibility has been demonstrated;
- The intention to complete the development project (e.g. allocated budgets and resources, Board of Directors approval);
- The ability to use or sell the results of the project;
- It is probable that the asset created will generate future economic benefits (e.g. existence of the market for the results of the project);
- Adequate technical, financial or other resources to complete the development and to use or sell the software are available; and
- The development cost of the asset can be measured reliably.

Only the costs that are directly attributable to generating the intangible asset are capitalised.

The following costs are not capitalised: Operations, General and Administration overheads, annual software licences, training, legal and professional fees related to disputes with suppliers.

Following the initial recognition of development expenditure, the cost is amortised over the estimated useful lives of the assets created. Amortisation commences on the date that the asset is brought into use. As assets categorised as Assets under construction/Work in progress are brought into use, the assets are transferred to the appropriate classification within intangible assets. The estimated useful lives are as follows:

Capitalised development costs
– 3 to 5 years

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested at least annually for impairment.

(q) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(r) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party both before and after the business combination, and that control is not transitory.

(s) Provisions for liabilities and charges and contingent liabilities

A provision is recognised where there is a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expected expenditure required to settle the obligation. A contingent liability is a possible obligation that is dependent on the outcome of uncertain future events not wholly within the control of the Group, or a present obligation where an outflow of resources is not likely or the amount cannot be reliably measured.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources is remote.

(t) Share capital

Ordinary shares and preference shares are classified as equity.

(u) Dividends

Dividends paid are reported in equity in the period they are approved by the Group's Board.

(v) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group considers the Board of Directors to be its chief operating decision-maker.

In accordance with IFRS 8 'Operating Segments', the Group has a single operating segment being the financing of insurance premiums and instalment services.

(w) Standards, amendments and interpretations, which became effective in the current year and are relevant to the group

During the year ended 31 December 2016 the following accounting standards and amendments to standards have become effective for application by EU and have been applied for the first time for the annual reporting period commencing 1 January 2016:

All these amendments to IFRSs will generally require full retrospective application, with some amendments requiring prospective application.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the Consolidation Exception;

The amendments clarify that the exception from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.

Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services relating to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The amendments also clarify that the applying the equity method of accounting to an associate or a joint venture used to its subsidiaries. Lastly, clarification is also made that an investment entity that measures its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other entities.

This amendment has no impact upon the Group.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations.

These amendments provide evidence on how to account for the acquisition of an interest in joint operations in which the activities constitute a business as defined in IFRS 3 Business Combinations. The amendments apply retrospectively to acquisitions of interests in joint operations.

These amendments do not impact the Group.

Amendments to IAS 1 – Disclosure initiatives.

This amendment was a response to comments that there were difficulties in applying the concept of materiality as the wording of some of the requirements of IAS 1 has in some cases been read to prevent the use of judgement. The key highlights are as follows:

- The entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating the material items that have different nature of functions.
- The Group should consider this amendment from the materiality perspective and, if necessary, can make changes to grouping and/or ordering of the notes of the financial statements.
- An entity need not provide a specific disclosure required by and IFRS if the information resulting from that disclosure is not material.

In the other comprehensive income section the amendments require separate disclosures for the following items:

- Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified subsequently to profit or loss; and
- The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

These specific disclosures do not impact the Group.

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization;

The above amendments prohibit entities from using a revenue based depreciation method for items of PPE as well as intangible assets. IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation items of property, plant and equipment with the exception when it can be demonstrated that the revenue and economic benefits of an asset are highly correlated.

These amendments do not impact the Group.

Amendments to IAS 27: Equity Method in Separate Financial Statements

This amendment focuses on separate financial statements and allows the use of equity method in separate financial statements.

Specifically, these amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements at cost; in accordance with IFRS 9 (IAS 39) and using the equity method as per IAS 28 – Investments in associates and joint ventures. These amendments are applied by the separate subsidiaries of the Group.

These amendments do not impact the Group.

Amendments to IFRSs annual improvements to IFRSs 2012-2014 cycle.

The annual improvements include amendments to the following IFRSs:

- IFRS 5 – Changes in methods of disposal. It introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposable group) from held for sale to held for distribution to owners when held for distribution accounting is discontinued.
- IFRS 7 – Servicing contracts. This amendment is concerned with applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements.
- IAS 19. This amendment clarifies that the high quality corporate bond used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. It will result in high quality corporate bonds being assessed at currency level.
- IAS 34 Interim Financial Reporting, which requires incorporating information by way of cross-reference from the interim financial statements to the other part of the report.

These amendments do not impact the Group.

Significant recent relevant standards, amendments and interpretations, which became effective in the prior year/s and are relevant to the group

Annual Improvements 2010-2012 and Annual Improvements 2011-2013

The Annual Improvements process covers minor amendments to IFRS that the IASB consider non-urgent but necessary. The Annual Improvements 2010-2012 and 2011-2013 process resulted in twelve minor changes to standards which are effective for application by EU for annual periods beginning on or after 1 January 2015.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Amendment to IAS 19 'Employee benefits: Employee contributions'

This amendment is effective for application by EU for annual periods beginning on or after 1 February 2015. It provides additional guidance on the accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.

There will be no impact on the Group as it does not operate a defined benefit plan.

(x) Standards and interpretations issued but not yet effective for the year ended December 2016.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 (but allow early application) reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9, 'Financial instruments' and Amendment to IFRS 9 'Mandatory effective date and transition disclosures'

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Before adopting IFRS9 it must be endorsed by EU. Based on the transitional provisions, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date the new rules must be adopted in their entirety.

IFRS 9 is intended as a replacement for IAS 39 'Financial Instruments' and has been split into three separate phases. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and will require the calculation of impairment on an expected loss basis rather than the current incurred loss basis required by IAS 39. Phase 3 relates to requirements for hedge accounting. The adoption of IFRS 9 is likely to have an impact on the Group in future periods, specifically in relation to the impairment charge recognised on financial asset balances. The amount of credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition. The full impact of this and the other phases of IFRS 9 on the Group are being assessed and will be finalised in 2017.

Hedge accounting requirements of IFRS 9 generally will retain the three types of hedge accounting mechanism in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. In addition, the effectiveness test has been replaced with a principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required. Additional disclosure requirement have been introduced.

The impact for the Group will be assessed in early 2017, particularly in relation to loan loss provisioning and impairment of financial assets.

IFRS 15 – Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new revenue standard has a single revenue model to deal with revenue from contracts with customers and its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The new IFRS 15 will be mandatory for financial years commencing on or after 1 January 2018. Management will assess the impact of the new standard in early 2017. Expected date of adoption by the Group is 1 January 2018.

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16).

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It is superseding the old lease standard: IAS 17 Leases.

IFRS 16 provides a comprehensive model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

IFRS 16 introduces significant changes to lessee accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right of use asset and a lease liability at lease commencement for all leases, except the short-term leases and leases of low value assets. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re measurement of the lease liability. Lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include the purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as expense on a systematic basis, similar to the current accounting for operating leases.

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged.

There will be an impact on the Group of a new lease standard which will be wholly assessed by early 2017.

Amendments to IFRS 2 Classification and Measurement of Share – Based payment Transactions (Effective for annual periods beginning on or after 1 January 2018).

These amendments clarify the following:

- In estimating the fair value of cash settled SBP, the accounting for the effects of vesting and non vesting conditions should follow the same approach as equity – settled SBP.
- Modifications in relations to tax liability
- A modification of a SBP that changes the transaction from cash settled to equity settled.

The Group will does not expect an impact from the above modifications and will assess these in full early 2017.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between and investor and its associate or joint venture.

Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).

These amendments apply prospectively with permitted earlier application. There is no requirement to present comparative information for earlier periods.

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial

activities, including both changes arising from cash flows and non cash changes. The amendments do not prescribe a specific format to disclose financial activities; however, an entity may fulfil the disclosure objectives by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities in the statement of financial position.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (Effective for annual periods beginning on or after 1 January 2017).

These amendments clarify certain aspects of deductible temporary differences with regards to Group's financial assets and other changes in relation to taxable profits.

These amendments will be applied retrospectively and will be assessed by the Group in early 2017.

(y) Early adoption of new standards

The Group did not early adopt any new or amended standards in the year ended 31 December 2016.

3. Critical accounting estimates and judgments in applying accounting policies

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The Group's principal accounting policies are set out above. United Kingdom company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgments and estimates that are reasonable and prudent. Where accounting standards are not specific and management have to choose a policy, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires them to adopt policies that will result in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB Framework for the Preparation and Presentation of Financial Statements. The judgments and assumptions involved in the Group's accounting policies that are considered to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

(a) Loan impairment provisions

The Group's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of customer loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

The Group's loan impairment provisions are established on a portfolio basis taking into account the level of arrears, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are the expected loss rates. These portfolios include receivables and other personal advances. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviours and bankruptcy trends.

(b) Effective interest rate

In calculating the effective interest rate of a financial instrument, the Group takes into account all amounts that are integral to the yield. In the case of loans and advances to customers judgement is applied in estimating future cash flows. Judgement is also required in estimating the expected average life of customer debt balances. A change in the estimate of any of the key variables in this calculation could have the potential to significantly impact income recognised in the consolidated income statement.

(c) Development costs

The Group has capitalised internally generated intangible assets as required in accordance with IAS 38. Management has assessed expected contribution to be generated from these assets and deemed an impairment adjustment of £0.9 million (2015: £nil) is required to the carrying value of the assets. Management consider it probable that software development activities in the course of construction will result in a deployable system. The recoverable amount of the assets has been determined based on value in use calculations which require the use of estimates and judgements.

(d) Impairment of assets

IFRS requires management to undertake an annual test for impairment for assets with finite lives, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the fair value less costs to sell or net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions have been made in respect of highly uncertain matters, including management's expectations of growth and discount rates. Changing the assumptions selected by management could significantly affect the Group's impairment evaluation and hence results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections.

(e) Impairment of investment in subsidiaries

The Company classifies the investment in its subsidiaries as available for sale. Where there is objective evidence of a significant or prolonged decline in the fair value of the subsidiary below its cost, the Company would recognise an impairment loss.

The valuation of the Company's subsidiaries is primarily driven by the trading performance of Premium Credit Limited, an entity engaged in the financing of instalment premium services. Premium Credit Limited is an unlisted entity and its fair value is determined using a present value model. The most significant factors determining the financial performance of Premium Credit Limited and the cash flows it is able to generate include the economic environment, notably interest rates, unemployment levels, payment behaviours and bankruptcy trends. These factors all have a bearing on the future credit quality of the loans and advances made by the subsidiary and could cause actual credit losses to differ materially from reported loan impairment.

(f) Fair values estimation for financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Group carries derivative financial instruments at fair value, with changes in fair value reported within the consolidated income statement. An analysis of financial instruments carried at fair value by valuation hierarchy and particulars of valuation techniques utilised is included in note 30 and the accounting policy set out in note 2.

Valuation techniques are used to establish the fair values of financial instruments for which no active market exists. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Short term receivables and payables, deemed to be one year or less, are measured at original invoice amount.

4. Segmental reporting

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors, who are responsible for allocating resources to the reporting segments and assessing their performance. The operating segment used by the Group meets the definition of a reportable segment under IFRS 8.

The Group has a single operating segment being the financing of insurance premiums and instalment services.

5. Net interest income

	2016 £'000	2015 £'000
Interest income on loans and advances to customers	120,098	112,971
Interest income	120,098	112,971
Interest payable on:		
Securitisation notes (note 20)	(17,714)	(20,647)
Derivative financial instruments	(2,689)	(2,404)
Interest expense	(20,403)	(23,051)
Net interest income	99,695	89,920

6. Fee and commission income

	2016 £'000	2015 £'000
Servicing and administration fees	18,725	18,293
Fee and commission income	18,725	18,293

7. Fee and commission expense

	2016 £'000	2015 £'000
Fees and commission payable	6,070	5,033
Fee and commission expense	6,070	5,033

The costs associated with Servicing and administration fees income are primarily included in administrative expenses. See note 9 on page 85 for an analysis of the Group's administrative expenses.

8. Gain/(loss) on derivative financial instruments

	2016 £'000	2015 £'000
Net gain/(loss) arising on derivatives not designated as hedging instruments under IAS39	1,472	(536)
Gain/(loss) on derivative financial instruments	1,472	(536)

9. Administrative expenses

	2016 £'000	2015 £'000
Staff costs:		
Wages and salaries	22,177	23,944
Social security costs	2,697	2,973
Other pension costs	1,164	1,099
Total staff costs	26,038	28,016
Non staff costs:		
Other administration costs	20,832	32,655
Write-off of goodwill	-	13,158
(Gains)/losses from foreign exchange	(6,232)	1,373
Impairment of loans and advances to customers	6,658	5,582
Operating lease costs	500	264
Depreciation and amortisation	3,431	1,969
Loss on disposal of fixed assets	14	260
Impairment of intangible fixed assets	877	-
Total non staff costs	26,080	55,261
Administrative expenses	52,118	83,277

Write off of goodwill

Goodwill on the acquisition in 2012 of the Vendcrown Group, which includes the cash-generating unit Premium Credit Limited, was written off following the acquisition of the Group in 2015 by Cinven.

Impairments of loans and advances to customers

	2016 £'000	2015 £'000
Increase in impairment allowance, net of recoveries	1,747	790
Amounts written off during the year as uncollectible	4,911	4,792
Impairment of loans and advances to customers	6,658	5,582

The Group has a single Cash Generating Unit ("CGU") at 31 December 2016, being Premium Credit Limited. In order to determine whether impairments are required, the Group estimates the recoverable amount of the CGU. The calculation is based on a discount factor being applied to projected future cash flows to obtain a 'value in use' which is the recoverable amount.

During the year, the Group obtained the following services from the Group's auditor, PricewaterhouseCoopers LLP:

Audit services	2016 £'000	2015 £'000
Audit of the Group	234	272
Advisory services	71	43
Total auditor remuneration	305	315

All audit fees for the group are borne by Premium Credit Limited, a Group subsidiary.

Employees

The average monthly number of persons (including executive Directors) employed by the Group split by function during the year was:

	2016 Number	2015 Number
Operations	177	176
General and administration	160	146
Sales and marketing	71	63
Total number of employees	408	385

All employees have contracts of employment with Premium Credit Limited, a Group subsidiary.

10. Directors' emoluments

The remuneration of the Directors paid by the Group during the year was as follows:

	2016 £'000	2015 £'000
Aggregate emoluments	877	1,061
Payments in lieu of notice	-	621
Total emoluments	877	1,682

The total emoluments of the highest paid Director were £0.7 million (2015: £1.6 million) which includes no payment in lieu of notice (2015: £0.6 million).

The remuneration of key management personnel is shown in note 32.

11. Financing income

	2016 £'000	2015 £'000
Interest income from Group undertakings	12	-
Financing income	12	

12. Financing expense

	2016 £'000	2015 £'000
Interest payable on:		
Senior loan notes (note 20)	14,654	15,511
Financing expense	14,654	15,511

13. Income tax expense

	2016 £'000	2015 £'000
Current tax expense/(credit) current year	3,451	327
Current tax expense/(credit) prior year	(111)	(472)
Total current tax	3,340	(145)
Deferred tax expense/(credit) current year	(53)	505
Deferred tax (credit)/ expense prior year	5	(16)
Total deferred tax	(48)	489
Total tax expense	3,292	344

The standard rate of corporation tax in the United Kingdom reduced to 20% on 1 April 2015 and, through the enactment of the Finance (No. 2) Act 2015 on 18 November 2015, this will reduce to 19% from 1 April 2017. Further, the Finance Act 2016, which was enacted on 15 September 2016, reduces the standard rate of corporation tax to 17% from 1 April 2020. The Group's profits for this accounting period are taxed at the applicable rate of 20% (2015: 20.25%).

The tax assessed for the year is lower (2015: lower) than the rate of UK Corporation Tax in the UK of 20.00% (2015: 20.25%). The difference is explained below:

	2016 £'000	2015 £'000
Profit before taxation on ordinary activities	47,062	3,856
Profit before taxation on ordinary activities multiplied by the UK tax rate of 20.00% (2015: 20.25%)	9,412	780
Factors affecting expense for the year:		
Expenses not deductible for tax purposes	(198)	3,797
Overseas tax	631	327
Double tax relief	(983)	-
Adjustment to prior years – current tax	(111)	(472)
Adjustment to prior years – deferred tax	5	(16)
Effects of group relief from Pomegranate group	(5,420)	(4,101)
Effects of rate change	37	48
Other tax adjustments	(81)	(19)
Total tax expense	3,292	344

14. Intangible assets

	Goodwill £'000	Assets under construction £'000	Software £'000	Total £'000
Cost				
At 1 January 2015	13,158	2,025	1,164	16,347
Additions	-	3,544	-	3,544
Transfers	-	(1,739)	1,739	-
Disposal	-	-	(374)	(374)
Impairment	(13,158)	-	-	(13,158)
At 31 December 2015	-	3,830	2,529	6,359
Accumulated amortisation				
At 1 January 2015	-	12	1,164	1,176
Charge for the year	-	-	226	226
Transfers	-	(12)	12	-
Disposal	-	-	(114)	(114)
At 31 December 2015	-	-	1,288	1,288
Net book value at 31 December 2015	-	3,830	1,241	5,071
Cost				
At 1 January 2016	-	3,830	2,529	6,359
Additions	-	7,232	-	7,232
Transfers	-	(4,951)	4,951	-
Disposal	-	-	(1,164)	(1,164)
At 31 December 2016	-	6,111	6,316	12,427
Accumulated amortisation				
At 1 January 2016	-	-	1,288	1,288
Charge for the year	-	-	1,592	1,592
Impairment	-	-	877	877
Disposal	-	-	(1,164)	(1,164)
At 31 December 2016	-	-	2,593	2,593
Net book value at 31 December 2016	-	6,111	3,723	9,834

Goodwill on the acquisition in 2012 of the Vendcrown Group, which includes the cash-generating unit Premium Credit Limited, was written off in 2015 following the acquisition of the Group in 2015 by Cinven.

Management has assessed the expected contribution to be generated from the software assets and deemed an impairment adjustment of £0.9 million (2015: £nil) is required to the carrying value of the assets.

15. Property, plant and equipment

	Leasehold improve-ments £'000	Leasehold offices £'000	Vehicles and equipment £'000	Total £'000
Cost				
At 1 January 2015	1,830	4,100	9,412	15,342
Additions	-	-	1,832	1,832
Other	-	-	(2)	(2)
At 31 December 2015	1,830	4,100	11,242	17,172
Accumulated depreciation				
At 1 January 2015	1,737	3,725	6,538	12,000
Charge for the year	93	241	1,409	1,743
At 31 December 2015	1,830	3,966	7,947	13,743
Net book value at 31 December 2015	-	134	3,295	3,429
Cost				
At 1 January 2016	1,830	4,100	11,242	17,172
Additions	2,726	-	1,886	4,612
Disposals	(1,830)	(4,100)	(217)	(6,147)
At 31 December 2016	2,726	-	12,911	15,637
Accumulated amortisation				
At 1 January 2016	1,830	3,966	7,947	13,743
Charge for the year	9	134	1,696	1,839
Disposal	(1,830)	(4,100)	(203)	(6,133)
At 31 December 2016	9	-	9,440	9,449
Net book value at 31 December 2016	2,717	-	3,471	6,188

The net book value of leasehold offices includes amounts held under finance leases as follows:

	31 Dec 2016 £'000	31 Dec 2015 £'000
Cost	-	4,100
Accumulated depreciation	-	(3,966)
Net book value	-	134

16. Loans and advances to customers

	31 Dec 2016 £'000	31 Dec 2015 £'000
Gross loans and advances to customers	1,505,996	1,453,578
Less: allowance for impairment	(5,837)	(3,840)
Net loans and advances to customers	1,500,159	1,449,738
Split as:		
Current	1,496,840	1,449,547
Non-current	3,319	191

At 31 December 2016, £1,127 million (2015: £1,084 million) of the loan and advances to customers had its beneficial interest assigned to a special purpose vehicle, PCL Funding 1 Limited, as collateral for securitisation transactions.

The following table shows impairment provisions for loans and advances:

	2016 £'000	2015 £'000
At 1 January	3,840	3,059
Foreign exchange impact	35	(9)
Reclassification of provision	215	-
Increase in allowance, net of recoveries, charged to income statement (see note 9)	1,747	790
At 31 December	5,837	3,840

17. Prepayments and other receivables

	Group 31 Dec 2016 £'000	Group 31 Dec 2015 £'000	Company 31 Dec 2016 £'000	Company 31 Dec 2015 £'000
Corporation tax	-	819	-	-
Prepayments	8,819	4,248	10	-
Amounts owed by Group undertakings	129	-	13,000	12,130
Other receivables	973	2,531	-	-
Prepayment and other receivables	9,921	7,598	13,010	12,130
Split as:				
Current	5,895	7,598	10	-
Non-current	4,026	-	13,000	12,130

The group non-current prepayments and other receivables balance of £4.0 million (2015: £nil) consists of £2.7 million (2015: £nil) for fees incurred relating to the master trust which will be amortised over 5 years, and £1.3 million for fees relating to facilities that were undrawn at the year end. The Company non-current prepayments and other receivables of £13.0 million (2015: £12.1 million) is amounts owed by Group undertakings.

The Company has a loan receivable from its subsidiary Mizzen Midco Limited of £13.0 million (2015: £12.1 million) which accrues interest at 8.135% and is repayable 30 October 2022. The Group has amounts owed by Group undertakings of £0.1 million (2015: £nil) which is attributable to expenses recharged to Pomegranate Acquisitions Limited, Pomegranate Holdings Limited and Pomegranate Topco Limited.

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2016 £'000	Liabilities 2016 £'000	Net 2016 £'000
Deferred tax asset as at 1 January	423	-	423
Deferred tax charge/(credit) for the year attributable to:			
Deferred tax charge/(credit) in respect of current year	90	-	90
Adjustments in respect of prior year	(5)	-	(5)
Effect of rate change	(37)	-	(37)
Deferred tax asset as at 31 December	471	-	471

	Assets 2015 £'000	Liabilities 2015 £'000	Net 2015 £'000
Deferred tax asset as at 1 January	946	(33)	913
Deferred tax charge/(credit) for the year attributable to:			
Deferred tax charge/(credit) in respect of current year	(491)	33-	(458)
Adjustments in respect of prior year	16	-	16
Effect of rate change	(48)	-	(48)
Deferred tax asset as at 31 December	423	-	423

At the end of the year the Group had tax losses available to carry forward for offset against future profits of £1.9 million (2015: £1.9 million). As there is uncertainty about whether relevant future taxable profits will exist within the individual entities going forward against which these losses can offset the deferred tax asset has not been recognised.

19. Cash and cash equivalents

	31 Dec 2016 £'000	31 Dec 2015 £'000
Bank balances	51,013	47,987
Cash and cash equivalents	51,013	47,987

The currency profile of cash and cash equivalents is as follows:

	31 Dec 2016 £'000	31 Dec 2015 £'000
GBP	44,235	44,347
USD	1,660	618
EUR	5,118	3,022
Cash and cash equivalents	51,013	47,987

Cash and cash equivalents include encumbered cash balances held by PCL Funding 1 Limited (see note 29).

The external credit rating of our banking counter parties are:

	31 Dec 2016 £'000	31 Dec 2015 £'000
AA	48,639	45,205
A+	775	-
BBB+	57	-
BBB	1,542	-
BBB-	-	2,782
Cash and cash equivalents	**51,013**	47,987

The movement of balances held in BBB- banking counter parties to BBB banking counter parties represents an upgrade in the rating of the bank.

20. Borrowings

	31 Dec 2016 £'000	31 Dec 2015 £'000
Non-current		
Securitisation notes	988,856	952,165
Senior secured loan notes	183,235	181,840
Borrowings	**1,172,091**	1,134,005

Securitisation notes

Securitisation notes are issued by PCL Funding 1 Limited, an SPV, under a revolving sterling facility maturing in December 2019. Securitisation notes consist of £990.4 million drawn down on the facility (2015: £955.2 million) less loan fees of £1.5 million (2015: £3.0 million)

Senior secured loan notes	Issue date	Maturity date	31 Dec 2016 £'000	31 Dec 2015 £'000
Fixed rate corporate bond	8 May 2014	1 May 2021	**183,235**	181,840

Interest is payable on the bond at a fixed rate of 7% per annum until maturity. The bond, issued by Mizzen Bondco Limited, is listed on the Irish Stock Exchange and secured by a fixed charge over certain Group assets. Debt securities are classified as non-current at the year-end. The balance consists of £189.4 million drawn down on the facility (2015: £189.4 million) less loans fees of £6.2 million (2015: £7.6 million).

21. Trade and other payables

	Group 31 Dec 2016 £'000	Group 31 Dec 2015 £'000	Company 31 Dec 2016 £'000	Company 31 Dec 2015 £'000
Trade payables	**411,912**	403,797		
Accrued expenses	**20,836**	17,570	-	
Social security and other taxes	**737**	889	-	
Corporation Income tax	**426**	-	-	
Amounts owed to Group undertakings	**10,908**	10,934	**9,782**	9,681
Other creditors	**240**	-	-	-
Trade and other payables	**445,059**	433,190	**9,782**	9,681
Current	**435,500**	423,631	**223**	122
Non-current	**9,559**	9,559	**9,559**	9,559

The Group and Company has a loan from its immediate parent undertaking, Pomegranate Acquisitions Limited, of £9.6 million (2015: £9.6 million) which is interest free and repayable 30 October 2022. The Group also has amounts owed to Pomegranate Acquisitions Limited of £1.3 million (2015: £1.3 million) attributable to recharged expenses. The Company also has amounts owed to Premium Credit Limited of £0.2 million (2015: £0.1 million) attributable to recharged expenses.

22. Derivative financial instruments

Strategy in using derivative financial instruments

The objective in executing derivative financial instruments is to ensure that the risk to reward profile of a transaction is optimised, allowing the Group to manage its exposure to interest rate risk. The intention is to only use derivatives to create economically effective hedges. There are specific requirements stipulated under IAS 39 which are necessary for a derivative to qualify for hedge accounting. As a result, not all derivatives can be designated as being in an accounting hedge relationship, either because natural accounting offsets are expected or because obtaining hedge accounting would be especially onerous. For those derivatives held for economic hedging purposes, which cannot be designated as being in an accounting hedge relationship, the gains and losses are recognised in the consolidated income statement.

Interest rate swaps

The Group holds no interest rate swaps as at 31 December 2016 (2015: two). The Groups has exposure to interest rate risk on its variable rate plus LIBOR securitisation facility. This exposure is mitigated by the ability to re-price the forward loan book in the event of an increase in interest rates.
The total fair value of derivatives not in hedge relationships as at 31 December 2016 was £nil (2015: net liability of £1.5 million).
All derivative financial instruments are held for economic hedging purposes; no derivatives are designated as hedging instruments under the terms of IAS39. Accordingly, interest rate swaps are treated as held for trading derivatives under IAS39.

The table below details derivatives which are not accounted for as hedges:

Derivatives not in hedge accounting relationships	31 Dec 2016 £'000	31 Dec 2015 £'000
Interest rate swaps		
Notional	-	828,710
Financial asset at fair value	-	-
Financial liability at fair value	-	1,472

PCL Funding 1 Limited, the Group's securitisation vehicle, was the contractual party to the derivative financial instruments. The derivatives expired in 2016.

23. Called up share capital

Group and Company	31 Dec 2016 £'000	31 Dec 2015 £'000
Allotted and fully paid		
32,921,166 Ordinary shares of £1	32,921	32,921
11,581,089 Preference shares of £1	11,581	11,581
Called up share capital	44,502	44,502

The following table shows the aggregate movement in share capital in the year:

Group and Company	31 Dec 2016 £'000	31 Dec 2015 £'000
At 1 January	44,502	32,921
Issued in the year	-	11,581
At 31 December	44,502	44,502

Approved by the shareholders' resolution, dated 25 February 2015, there was an allotment of 11,581,089 Preference shares at par in the capital of Mizzen Mezzco Limited to the sole member, Mizzen Topco S.C.A. Subsequently Mizzen Topco S.C.A. was liquidated as at 31 December 2015 and the shares were transferred to Pomegranate Acquisitions Limited.

24. Other reserves

	31 Dec 2016 £'000	31 Dec 2015 £'000
Foreign currency translation reserve	1,405	(682)
Other reserves	1,405	(682)

Other reserves comprise losses on the translation of financial statements of foreign operations.

25. Investment in group undertakings

Investments - Company	31 Dec 2016 £'000	31 Dec 2015 £'000
Cost and carrying value		
At 1 January	44,5 02	32,921
Additions	-	11,581
At 31 December	44,502	44,502

On 25 February 2015, the Company made a capital contribution of £11,581,089 for £1 per share to its immediate subsidiary, Mizzen Midco Limited.

Company	Parent entity	Country of incorporation	Nature of business	Group interest	Capital
Mizzen Midco Limited	Mizzen Mezzco Limited	UK	Holding company	100%	£2,205,000
Mizzen Bondco Limited	Mizzen Midco Limited	Cayman Islands	Bond financing	100%	£2
Mizzen Mezzco 2 Limited	Mizzen Bondco Limited	UK	Holding company	100%	£32,921,166
Mizzen Bidco Limited	Mizzen Mezzco 2 Limited	UK	Holding company	100%	£32,921,166
Vendcrown Limited	Mizzen Bidco Limited	UK	Holding company	100%	£16,258
Premium Credit Limited	Vendcrown Limited	UK	Finance services	100%	£10,000
Direct Debit Management Services Limited	Premium Cred-it Limited	UK	Dormant	100%	£2

The financial year end of all the subsidiaries is 31 December. All UK incorporated companies are registered at Ermyn House, Ermyn Way, Leatherhead, Surrey, KT22 8UX. Mizzen Bondco Limited is registered at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
The directors are of the opinion that the carrying value of the investment is supported by the underlying assets.

PCL Funding 1 Limited is treated as a subsidiary of the Group. It is a Special Purpose Vehicle (SPV) established for the securitisation of the Group's receivables. Although none of the equity of the SPV is owned by the Group, the nature of this entity means that the Group has the rights to all benefits from its activities and as such it is effectively controlled by the Group. PCL Funding 1 Limited is incorporated in England and Wales.

The assets of Mizzen Midco Limited and Mizzen Bondco Limited are subject to fixed charges associated with the debt securities issued by Mizzen Bondco Limited. There were no other charges on assets of Group subsidiaries.

26. Dividends

On Ordinary shares	2016 £'000	2015 £'000
Interim dividend paid: 69.7per £1 share	31,000	11,581
Final dividend paid: nil (2015: nil)	-	-
Dividends paid	31,000	11,581

On 12 December 2016, an interim dividend of 69.7 pence per share was declared and paid. No final dividend is proposed.

27. Cash generated from operations

	2016 £'000	2015 £'000
Profit before tax	47,062	3,856
Non cash items included in profit before taxation		
Loan impairment charges	6,658	5,582
Depreciation and amortisation	3,431	1,969
Impairment of intangible assets	877	-
Loss on disposal of fixed assets	14	260
Goodwill written off	-	13,158
Finance costs - net	35,057	38,562
Fair value movements - swap	(1,472)	536
Non cash items included in profit before taxation	44,565	60,067

	2016 £'000	2015 £'000
Changes in operating assets and liabilities		
Net movement in loans and advances to customers	(55,813)	(74,339)
Net movement in trade and other payables	10,344	17,124
Net movement in prepayments and other receivables	(1,120)	(1,028)
Changes in operating assets and liabilities	(46,589)	(58,243)
Cash generated from operations	45,038	5,680

28. Interests in structured entities

The Group holds less than 50% of voting rights in a fully consolidated subsidiary PCL Funding 1 Limited. The Group has the power and exposure to variable returns of this subsidiary through contractual arrangements with PCL Funding 1 Limited. This entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all risks and rewards through outstanding guarantees of the entity's obligations. The Board has determined that the entity is controlled by the Group as a result of the entity being the sole acquirer of debt obligations originated by the Group.

29. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Through its normal operations, the Group is exposed to a number of risks, the most significant of which are credit risk, liquidity risk, and market risk. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising on	Measurement	Management
Credit risk	Loans and advances to customers, Cash and cash equivalents	Aged analysis Credit ratings	Credit checks Credit Limits Loan loss reviews
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Contractual rate ratchets
Liquidity risk	Borrowings	Rolling cash flow forecasts	Availability of revolving credit sterling facilities
Market risk – FX rate	Financial assets and liabilities not denominated in pounds sterling	Cash flow forecast Sensitivity analysis	Concentration limits on loans and advances in Euro and US Dollars

(a) Credit risk

Credit risk arises from loan facilities in the UK and to a lesser extent in the Republic of Ireland. These facilities enable individuals to spread the cost of instalment services, primarily insurance premiums. Loan exposure is to individuals, corporates and corporate intermediaries. The majority of lending activity is arranged by corporates and corporate intermediaries in the insurance sector but the Group is also active in financing other instalment services such as school and leisure fees.

Credit risk is the risk that a borrower fails to pay the interest or to repay the capital on a loan. All lending is underwritten by the Group and the performance of all loans is monitored closely and regular management reports are submitted to the Board, Executive Committee and the appropriate sub-Committees.

Management and monitoring of credit risk

Credit risk is monitored by the Credit & Counterparty Committee, a sub-Committee of the Executive Committee. Credit checks are conducted at inception and on renewal of loan facilities. Individual risk limits are set based on borrower affordability and in accordance with limits and parameters set by the Board.

Credit quality

Loans and advances to customers represent 95% (31 Dec 2015: 95.7%) of Total Assets at 31 December 2016.

The following table shows the ageing of net loans and advances to customers:

	31 Dec 2016 £'000	31 Dec 2015 £'000
Loans neither past due or impaired:		
Within one month	247,258	262,064
Between one to three months	468,085	481,176
Between three months and one year	769,800	697,499
Over one year	3,319	191
Total loans neither past due or impaired:	1,488,462	1,440,930
Past due loans not impaired	11,697	8,808
Net loans and advances to customers	1,500,159	1,449,738

(b) Market risk – interest rate

Exposure to interest rate risk arises from the Group funding its activities via a securitisation facility on which the rate of interest paid is variable. The Group has the ability through contractual rate ratchets to reprice future lending in the event of rate rises.

A 1% adverse movement in the interest rate on borrowing would have increased borrowing costs and reduced Group's profit before taxation by £9.9 million (2015: £6.0 million), however this would be largely offset by increased revenue from repricing of future lending via contractual rate ratchets.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amounts of committed credit facilities to enable the Group to meet obligations when due. At the end of the reporting period the Group held deposits at call of £51.0 million (2015: £48.0 million). Due to the nature of the business, the cash position is monitored daily by Group Treasury which maintains flexibility in funding through availability of committed credit lines.

The table below summarises the total assets that are capable of supporting future funding and collateral needs and shows the extent to which these assets are currently pledged for this purpose.

Encumbered asset summary	31 Dec 2016 £'000	31 Dec 2015 £'000
Encumbered cash and cash equivalents	21,154	16,805
Unencumbered cash and cash equivalents	29,859	31,182
Cash and cash equivalents	51,013	47,987

An asset is defined as encumbered if it has been pledged as collateral against an existing on or off balance sheet liability, and as a result is no longer available to the Group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing liability.

Encumbered assets represent cash held by PCL Funding 1 Limited, the SPV.

Management monitors rolling forecasts of the Group's cash position and liquidity buffer on the basis of expected cash flows. This is carried out at entity level in the principal operating companies of the Group. The necessary level of liquid assets is monitored with balance sheet liquidity ratios and debt financing plans to ensure debt covenants are not breached. The composition of the Group's funding base is monitored against defined thresholds to further avoid funding source and maturity concentration risks.

The Group prepares both short term and long term forecasts to assess liquidity requirements covering a rolling twelve month period and takes into account factors such as payment cycles and cyclical trade patterns. These reports support daily liquidity management and are reviewed monthly by the Asset and Liability sub-Committee ('ALCO') of the Executive Committee.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

Variable rate	31 Dec 2016 £'000	31 Dec 2015 £'000
Expiring within one year (bank overdraft)	-	15,000
Expiring within one year (revolving credit facility)	15,000	-
Expiring after more than one year (securitisation)	259,569	94,800
Undrawn borrowing facilities	274,569	109,800

The revolving credit facility may be drawn down on demand and expires on 24 March 2017. The securitisation facility may be drawn down on demand and is subject to the continuance of satisfactory credit ratings of the securitisation vehicle.

To enhance overall funding stability and diversity, the Group places emphasis on maximising and preserving its securitisation funding sources. The Group monitors funding costs and levels, and significant trends and changes are reported to its management team via the Asset and Liability Committee.

Maturity profile

A maturity analysis of the undiscounted contractual cash flows of the Group's bank and other borrowings, including derivatives is shown below. These differ from the statement of financial position values due to the effects of discounting on certain statement of financial position items and due to the inclusion of contractual future interest flows.

At 31 December 2016	Repayable on demand £'000	<1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Financial liabilities						
Borrowings	-	-	-	1,274,423	-	**1,274,423**
Trade and other payables	10,908	433,725	-	-	-	**444,633**
Total financial liabilities	**10,908**	**433,725**	**-**	**1,274,423**	**-**	**1,719,056**
Financial assets						
Loans and advances to customers	-	1,496,840	3,319	-	-	**1,500,159**
Other receivables	129	973	-	-	-	**1,102**
Cash and cash equivalents	29,859	21,154	-	-	-	**51,013**
Total financial assets	**29,988**	**1,518,967**	**3,319**	**-**	**-**	**1,552,274**
Maturity gap	**19,080**	**1,085,242**	**3,319**	**(1,274,423)**	**-**	**(166,782)**

At 31 December 2015	Repayable on demand £'000	<1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000
Financial liabilities						
Borrowings	-	-	-	988,070	260,109	**1,248,179**
Trade and other payables	10,934	422,256	-	-	-	**433,190**
Derivative financial instruments	-	3,861	-	-	-	**3,861**
Total financial liabilities	**10,934**	**426,117**	**-**	**988,070**	**260,109**	**1,685,230**
Financial assets						
Loans and advances to customers	-	1,449,547	191	-	-	**1,449,738**
Other receivables	-	2,531	-	-	-	**2,531**
Cash and cash equivalents	31,182	16,805	-	-	-	**47,987**
Total financial assets	**31,182**	**1,468,883**	**191**	**-**	**-**	**1,500,256**
Maturity gap	**20,248**	**1,042,766**	**191**	**(988,070)**	**(260,109)**	**(184,974)**

Market risk – FX rate

The Group's exposure to foreign exchange rate risk arises from Premium Credit Limited's operations in the Republic of Ireland and trade receivables and payables in foreign currencies.
The Group's exposure to movements in foreign exchange rates is monitored monthly by the Asset and Liability Committee and is governed by Board approved foreign exchange rate risk management policy, which forms part of the Group's treasury policies. Exposures are managed by concentration limits on trade receivables and payables denominated in foreign currencies.
As at 31 December 2016, a 2% movement in the US dollar/ GBP and EUR/ GBP exchange rates would have had a of £0.6 million (2015: £0.4 million) impact on profits.

30. Financial instruments

The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments in IAS39.

a) Classification of financial instruments by IAS39 category

At 31 December 2016	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Other financial instruments at amortised cost £'000	Total £'000
Liabilities				
Borrowings	-	-	1,172,091	**1,172,091**
Trade and other payables	-	-	444,633	**444,633**
Total financial assets	**-**	**-**	**1,616,724**	**1,616,724**
Assets				
Loans and advances to customers	-	1,500,159	-	**1,500,159**
Other receivables	-	1,102	-	**1,102**
Cash and cash equivalents	-	51,013	-	**51,013**
Total financial assets	-	**1,552,274**	-	**1,552,274**

At 31 December 2015	Designated at fair value through profit and loss £'000	Loans and receivables £'000	Other financial instruments at amortised cost £'000	Total £'000
Liabilities				
Borrowings	-	-	1,134,005	**1,134,005**
Trade and other payables	-	-	433,190	**433,190**
Derivative financial instruments	1,472	-	-	**1,472**
Total financial assets	**1,472**	**-**	**1,567,195**	**1,568,667**
Assets				
Loans and advances to customers	-	1,449,738	-	**1,449,738**
Other receivables	-	2,531	-	**2,531**
Cash and cash equivalents	-	47,987	-	**47,987**
Total financial assets	**-**	**1,500,256**	**-**	**1,500,256**

All derivative financial instruments are held for economic hedging purposes. No derivatives are designated as hedging instruments under the terms of IAS39.

b) Fair values

Except as detailed in the following table, the Directors consider that the carrying value amounts of financial assets and financial liabilities recorded on the Statement of Financial Position are approximately equal to their fair values.

At 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Liabilities				
Borrowings	194,067	988,856	-	**1,182,923**
Trade and other payables	-	444,633	-	**444,633**
Total financial liabilities	**194,067**	**1,433,489**	**-**	**1,627,556**
Assets				
Loans and advances to customers	-	1,500,159	-	**1,500,159**
Other receivables	-	1,102	-	**1,102**
Total financial assets	**-**	**1,501,261**	**-**	**1,501,261**

At 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Liabilities				
Borrowings	175,258	952,165	-	**1,127,423**
Trade and other payables	-	433,190	-	**433,190**
Derivative Financial instruments	-	1,472	-	**1,472**
Total financial liabilities	**175,258**	**1,386,827**	**-**	**1,562,085**
Assets				
Loans and advances to customers	-	1,449,738	-	**1,449,738**
Total financial assets	**-**	**1,449,738**	**-**	**1,449,738**

The only financial assets and liabilities which are carried at fair value in the Balance Sheet were derivative financial assets and liabilities.
The valuation techniques and inputs used to derive fair values at the year-end are described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where an active market is considered to exist, fair values are based on quoted prices. For instruments which do not have active markets, fair value is calculated using present value models, which take individual cash flows together with assumptions based on market conditions and credit spreads, and are consistent with accepted economic methodologies for pricing financial instruments.

In each case the fair value is calculated by discounting future cash flows using benchmark observable market interest rates based on LIBOR rather than Overnight Index Swaps (OIS), as using OIS would have no significant impact. This is kept under review.

There are three levels to the hierarchy as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments which are categorised as Level 2 are those which have future cash flows which are on known dates and for which the cash flow amounts are known or calculable by reference to observable interest and foreign currency exchange rates. The fair value is calculated by discounting future cash flows using benchmark, observable market interest rates.

31. Capital resources

It is the Group's policy to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business.

The Group's objectives in managing capital are:

- To ensure that the Group has sufficient capital to meet its operational requirements and long-term strategic objectives;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for its stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital based on the Board's view of perceived credit risk, future cash needs and the availability and cost of external financing. The Group manages the capital structure, and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, having particular regard to the relative costs and availability of debt and equity finance at any given time. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue or redeem other capital instruments, such as corporate bonds, or allow loans and receivables to mature without subsequent advancement. The Group is not subject to any externally imposed capital requirements.

The debt and equity amounts for the Group at 31 December 2016 and 31 December 2015 were as follows:

	Notes	31 Dec 2016	31 Dec 2015
Debt			
Securitisation notes	20	**988,856**	952,165
Senior loan notes	20	**183,235**	181,840
Amounts owed to Group undertakings	21	**10,908**	10,934
Less: unencumbered cash	29	**(29,859)**	(31,182)
Net debt		1,153,140	1,113,757
Equity			
Total equity		(39,564)	(54,421)

The Group uses a number of non GAAP debt ratios which can be seen on page 113.

32. Related party transactions

During the year the Group had the following transactions with Group undertakings:

(a) Transactions involving Directors and other key connected persons

For the purposes of IAS 24 "Related Party Disclosures", key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of an entity; the key management of the Group are the members of the Group's Board and Executive Committee. There were no loans or advances to key connected persons in the Group's primary financial statements (31 December 2015: £nil).

b) Remuneration of key management personnel

The amount of remuneration incurred by the Group in relation to key management is set out below in aggregate. The remuneration of the directors' is set out in note 10. With the exception of the Chief Executive, the directors' and key management are not the same body of persons. Further information in respect of key management personnel at the date of signing the financial statements is included in the Governance report.

	2016	2015
	£'000	£'000
Short-term employee benefits	3,937	6,167
Termination benefits	-	621
Total emoluments	3,937	6,788

Short term employee benefits comprise salary, bonus, pension contributions and benefits, earned in the year.

c) Trading transactions

During the year, the Group entered into the following transactions with Group undertakings:

	Interest paid 2016 £'000	Interest paid 2015 £'000	Service fees 2016 £'000	Service fees 2015 £'000	Travel expenses 2016 £'000	Travel expenses 2015 £'000
Pomegranate Acquisitions Limited	-	11	-	-	-	-
Cinven	-	-	360	303	5	25
GTCR LLC	-	-	-	80	-	262

Amounts owed to and from Group undertakings are identified in notes 17 and 21.

d) Ultimate parent undertaking and controlling party

At 31 December 2016, the Group's ultimate parent undertaking was Pomegranate Topco Limited which is incorporated in Jersey and the Board considers the ultimate controlling party to be Cinven Partners LLP.

e) Immediate parent undertaking

The Company's immediate parent company is Pomegranate Acquisitions Limited which is incorporated in England and Wales. Financial statements for Pomegranate Acquisitions Limited can be obtained from its registered office at Ermyn House, Ermyn Way, Leatherhead, KT22 8UX.

33. Contingent liabilities and commitments

a) Capital commitments

At 31 December 2016 the Group had capital commitments related to intangible assets of £nil (31 December 2015: £nil). This is in respect of IT software development and IT hardware.

b) Operating lease commitments

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights, and fall due as follows:

	Land & Buildings		Other	
	31 Dec 2016 £'000	31 Dec 2015 £'000	31 Dec 2016 £'000	31 Dec 2015 £'000
No later than one year	11	-	173	225
Later than one year and no later than five years	3,305	-	65	129
Over five years	4,594	-	-	-
Operating lease commitments	**7,910**	**-**	**238**	**354**

Under the terms of the lease agreements, no contingent rents are receivable. The leases have varying terms including purchase options and renewal rights. None of these terms represent unusual arrangements or create material onerous or beneficial rights or obligations.

34. Post balance sheet events

In December 2016, a Master Trust facility structure was put in place which became effective 2 February 2017, replacing the existing securitisation facility. This provides access to the same sources of funding as under the securitisation facility, plus funding for an excess concentration series, and will allow future access to public Asset-backed security (ABS) funding. This diversified our funding base, further reducing liquidity risk.

D. Other Information

D1. Corporate Information 112

D2. Non GAAP debt ratios 113

D1. Corporate Information

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D2. Non GAAP debt ratios

The Group has a number of non-GAAP debt ratios that are monitored and reported under the terms of the Senior secured term notes.

	2016	2015
	£'000	£'000
Adjusted Post-Securitisation EBITDA[1]	68,717	63,531
Cash interest expense (excluding securitisation)[2]	13,258	13,258
Gross debt	189,400	189,400
Cash and cash equivalents[3]	(39,859)	(41,182)
Net debt	149,541	148,218
Ratio of gross debt to Adjusted Post-Securitisation EBITDA	2.8X	3.0X
Ratio of net debt to Adjusted Post-Securitisation EBITDA	2.2X	2.3X
Ratio of adjusted Post-Securitisation EBITDA to cash interest expense (excluding securitisation)	5.2X	4.8X

1. The calculation and full definition of Adjusted Post-Securitisation EBITDA is in section A7.3 on page 26.
2. Cash interest expense (excluding securitisation) is pro forma calculation of interest for the senior secured loan notes (gross debt multiplied by the fixed interest rate of 7%)
3. Cash and cash equivalents is unencumbered cash of £29.9 million (2015: £31.2 million) as per note 19, plus cash held as a liquidity reserve in the SPV of £10.0 million (2015: £10.0 million)

The amount drawn down on the securitisation facility is linked to the level of eligible trade receivables and is therefore linked to the operations of the business. The above debt ratios include the securitisation interest expense in Adjusted Post-Securitisation EBITDA.

E. Notes

E. Notes

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